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# IHS Markit India Services PMI®

Including IHS Markit India Composite PMI®

## September sees marked expansions in new business and output

### Key findings

Services activity and new business increase further

Employment rises for first time in ten months

Input cost inflation recedes

Data were collected 13-28 September 2021.

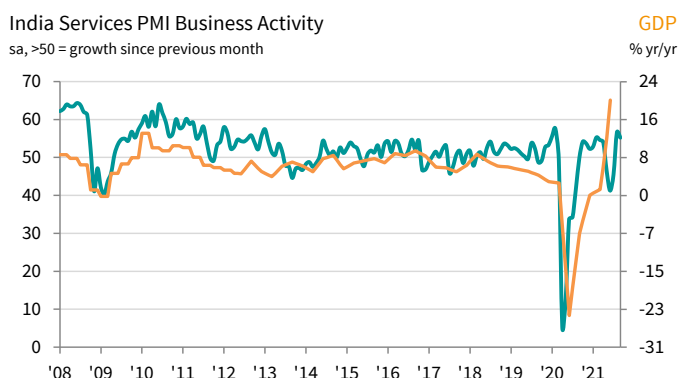
The Indian service sector continued to expand in September as the loosening of COVID-19 restrictions supported an improvement in market conditions and overall demand. Companies indicated that greater footfall boosted sales and output in the latest month, with some taking on additional staff to cope with rising workloads. As for prices, there was another increase in firms' expenses, but the rate of inflation subsided. Selling prices rose again, albeit only marginally.

The seasonally adjusted India Services Business Activity Index posted 55.2 in September, highlighting a marked increase in output. Despite falling from August's 18-month high of 56.7, the latest reading remained well above its long-run average. Where activity growth was reported, panellists mentioned accommodative market conditions and favourable underlying demand amid the easing of COVID-19 restrictions.

With the pandemic receding, there was a boost to consumer footfall. This, coupled with marketing efforts, reportedly supported another increase in new business inflows. Despite easing from August, the rate of expansion was marked and the second-fastest since February 2020.

Buoyed by signs of improvements in underlying demand, Indian service providers took on additional staff during September. The increase in employment ended a nine-month sequence of job shedding, but was marginal overall as some panellists indicated having sufficient workforces to deal with their workloads.

September data pointed to ongoing signs of spare



Sources: IHS Markit, CSO.

capacity among services companies, with outstanding business volumes declining for the second month in a row. That said, the pace of backlog depletion eased and was only slight.

Amid reports of higher fuel, material, retail and transportation prices, average cost burdens faced by Indian service providers rose further during September. The overall rate of inflation was solid, but softened to an eight-month low.

Some companies suggested that additional cost burdens were shared with their clients via increases to selling prices. However, others refrained from lifting their fees in attempts to secure new work. Average prices charged for the provision of services in India rose during September, but the rate of inflation eased and was negligible by historical standards.

Despite the sustained recovery of the sector, business confidence weakened in September. Anecdotal evidence suggested that optimism was curbed by worries regarding inflationary pressures. Where output was predicted to expand over the course of the coming 12 months, firms largely expected the ongoing retreat of the pandemic and associated restrictions to support growth.

Finally, travel restrictions continued to weigh on international demand for Indian services. New export business contracted for the nineteenth month in a row, and at a sharp rate that was the quickest since May.

*continued...*

## IHS Markit India Composite PMI®

### Growth of private sector output sustained in September

Business Activity in India's private sector rose further in September, as both manufacturing and services output continued to expand. The Composite\* PMI Output Index was at 55.3, little-changed from 55.4 in August and thereby pointing to a marked rate of growth.

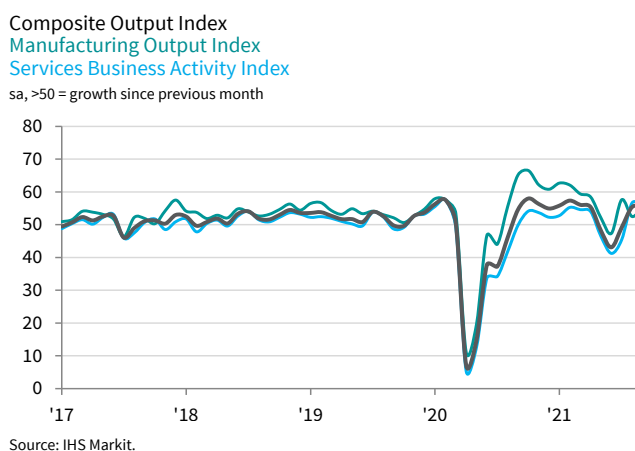
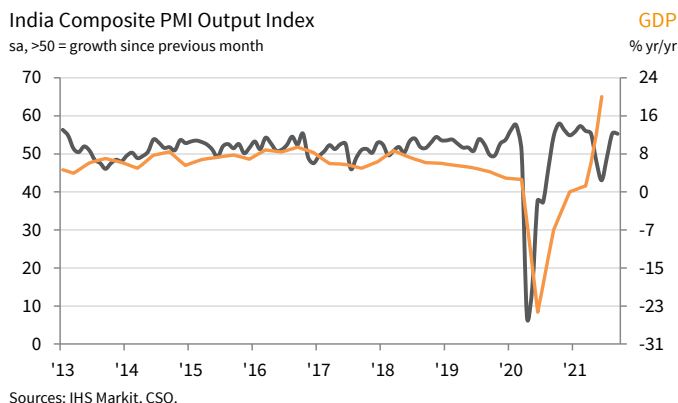
Supporting the increase in aggregate business activity was a further expansion in new work intakes. The upturn in sales was marked and broadly similar to August. Moreover, growth was broad-based across the manufacturing and service sectors.

Employment at the composite level stabilised in September, after contracting in each of the prior 18 months. A marginal reduction in jobs at goods producers broadly offset growth at service providers.

Although input costs in the private sector continued to rise sharply, the overall rate of inflation eased to an eight-month low in September. A quicker increase in the manufacturing industry contrasted with a slowdown in services.

September data pointed to the weakest increase in private sector charges for six months, as both service providers and goods producers signalled slower rates of inflation.

\*Composite indices are weighted averages of comparable manufacturing and services indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The India Composite Output Index is a weighted average of the Manufacturing Output Index and the Services Business Activity Index.



### Comment

Commenting on the latest survey results, Pollyanna De Lima, Economics Associate Director at IHS Markit, said:

"Indian companies continued to benefit from a recovery in demand as the pandemic receded further and restrictions were lifted. The improved market environment meant that firms managed to secure new work and increase business activity during September.

"Signs from forward-looking indicators were mixed. Employment returned to growth territory, posting the first rise since

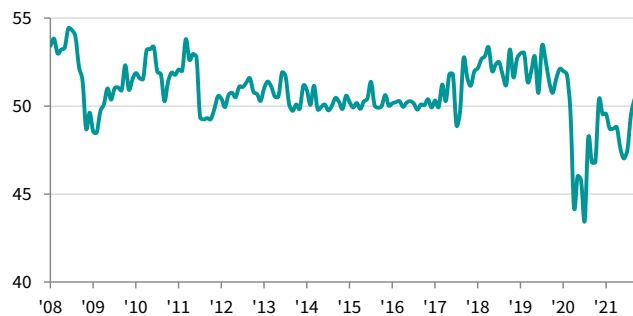
the onset of the pandemic, suggesting that the rebound in demand is expected to be sustained and that further increases in business activity are in the pipeline. At the same time, there was another decline in outstanding business. This implies that companies still have spare capacity to accommodate for rising sales and hint that the recovery in employment is by no means guaranteed to continued.

"While forecasts of better demand in the year ahead supported business confidence regarding output, growth looks set to be constrained

by rising inflation expectations. We saw a substantial decline in positive sentiment among service providers due to this factor, despite input cost inflation retreating in September."

## Services Employment Index

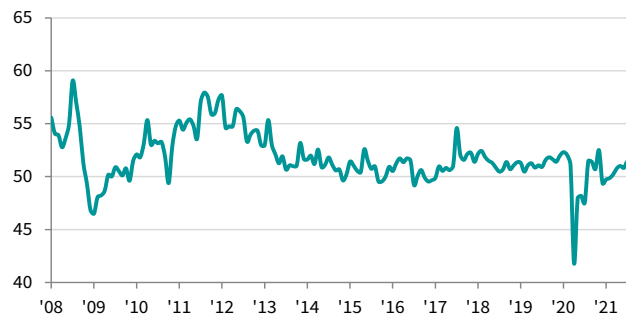
sa, >50 = growth since previous month



Source: IHS Markit.

## Services Prices Charged Index

sa, >50 = inflation since previous month



Source: IHS Markit.

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### Survey methodology

The IHS Markit India Services PMI® is compiled by IHS Markit from responses to questionnaires sent to a panel of around 400 service sector companies. The sectors covered include consumer (excluding retail), transport, information, communication, finance, insurance, real estate and business services. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Services Business Activity Index. This is a diffusion index calculated from a question that asks for changes in the volume of business activity compared with one month previously. The Services Business Activity Index is comparable to the Manufacturing Output Index. It may be referred to as the 'Services PMI' but is not comparable with the headline manufacturing PMI figure.

The Composite Output Index is a weighted average of the Manufacturing Output Index and the Services Business Activity Index. The weights reflect the relative size of the manufacturing and services sectors according to official GDP data. The Composite Output Index may be referred to as the 'Composite PMI' but is not comparable with the headline manufacturing PMI figure.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

### Survey dates and history

Data were collected 13-28 September 2021.

Survey data were first collected December 2005.

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