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# IHS Markit India Services PMI®

Including IHS Markit India Composite PMI®

## Service sector recovery sustained in November

### Key findings

Business activity rises for second month running...

...supported by further upturn in new work intakes

Employment up for first time in nine months, albeit marginally

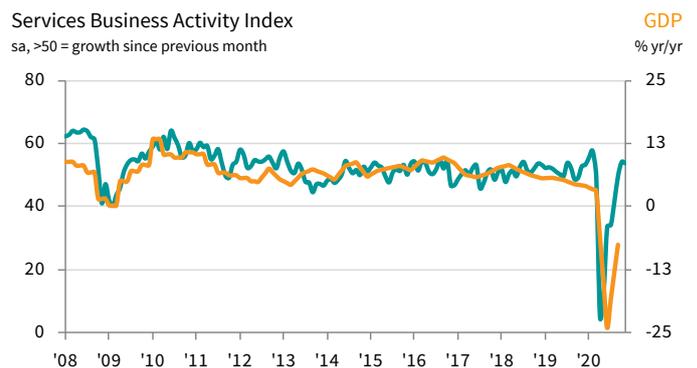
Data were collected 12-26 November 2020.

The Indian services economy remained on the right path to recovery during November, with a further upturn in new work supporting business activity growth and the first rise in employment for nine months. Moreover, the overall level of positive sentiment climbed to the highest since February amid predictions that market conditions would normalise once a vaccine for the coronavirus disease 2019 (COVID-19) is rolled out. Meanwhile, rates of inflation for input costs and output charges accelerated, both of which outpacing their respective long-run averages.

The seasonally adjusted India Services Business Activity Index posted above the critical 50.0 mark that separates growth from contraction for the second month in a row during November. Despite falling from 54.1 in October to 53.7, the latest reading was still indicative of a solid pace of expansion. Companies that signalled output growth commented on better demand conditions and a relaxation of COVID-19 restrictions.

New business inflows likewise rose for the second straight month and solidly, despite growth easing from October. According to survey participants, the increase in sales stemmed from a pick-up in demand, marketing efforts and the loosening of COVID-19 controls.

Underlying data suggested that the upturn in total new work was driven by the domestic market, with new export orders decreasing sharply again in November. The latest fall in international sales, the ninth in consecutive months, was attributed to subdued global demand and travel restrictions.



Sources: IHS Markit, CSO.

Service providers suggested that disruptions caused by the COVID-19 pandemic exerted upward pressure on operating capacities during November, with outstanding business increasing further. Moreover, the pace of backlog accumulation was marked and quickened from October.

In turn, services firms hired additional workers in November, ending an eight-month sequence of job shedding. That said, the rate of employment growth was marginal overall as some companies reported having sufficient staff to cope with current workloads.

Input prices continued to increase in November, with firms citing higher freight, fuel, maintenance, utility and material costs. Furthermore, the rate of inflation accelerated to a nine-month high and outpaced its long-run average. Selling prices likewise rose at an above-trend rate. The latest increase was the quickest since July 2017.

Looking ahead, services firms were confident of a rise in business activity in the coming 12 months. The overall degree of optimism improved to a nine-month high. Positive sentiment was boosted by hopes that a vaccine for COVID-19 will be rolled out.

Sub-sector data highlighted Transport & Storage as the best-performing category in November, with rates of growth for output and sales surpassing those seen in Consumer Services and Finance & Insurance. Information & Communication and Real Estate & Business Services saw reductions in new orders and activity.

*continued...*

## IHS Markit India Composite PMI®

### Growth of private sector output and sales softens in November

Indian private sector activity rose for the third straight month in November, but the pace of growth softened from October's near nine-year high. The Composite\* PMI Output Index was down from 58.0 to 56.3, a reading that was still consistent with a marked rate of expansion. Rates of increase eased at manufacturers and service providers.

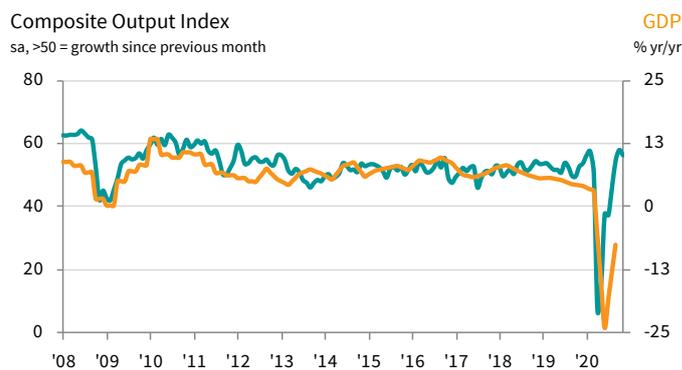
Private sector companies noted a marked, albeit softer, upturn in new business inflows. Both goods producers and services firms registered slower increases in sales.

Although private sector employment decreased further, the overall rate of job shedding eased to the slowest since March. While factory jobs continued to fall, there was a renewed rise in headcounts at service providers.

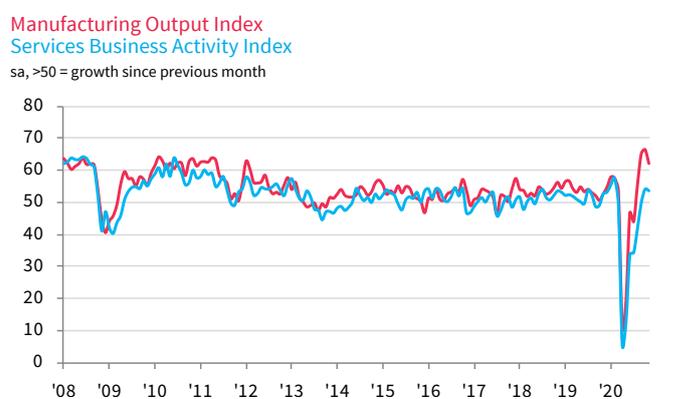
Aggregate input costs increased at the strongest rate since February. Similarly, output charge inflation hit a ten-month high in November.

Private sector firms were at their most upbeat towards growth prospects since August 2019, as strengthening sentiment among service providers offset waning optimism at manufacturers.

*\*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.*



Sources: IHS Markit, CSO.



Source: IHS Markit.

## Comment

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

*"The Indian service sector continued to recover from the coronavirus-induced contractions recorded from March through to September. Companies enjoyed a further rise in new work intakes and responded to this by lifting business activity and employment. The increase in jobs was marginal at best, but nevertheless the first since the onset of COVID-19. There was also an improvement in business confidence, which bodes well*

*for employment over the coming months. "Output and sales across the private sector have held up well, but there were some signs of growth losing momentum among goods producers and service providers. As has been the case in most nations worldwide, the manufacturing sector outperformed its services counterpart as the latter was hit harder by the COVID-19 pandemic. When reporting growth constraints, travel restrictions and low footfall as consumers opt to stay home and avoid catching the disease remained*

*key themes of the services PMI survey. "Low interest rates aimed at mitigating the negative impacts of COVID-19 on the economy and the latest rise in services employment are supportive factors for domestic demand. However, a pick-up in inflationary pressures could threaten the recovery. The PMI results for November showed the strongest increase in service sector input costs for nine months, which brought in the sharpest upturn in fees for over three years."*

Services Employment Index

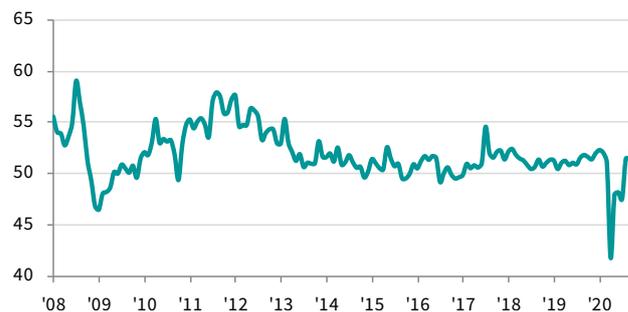
sa, >50 = growth since previous month



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 12-26 November 2020.

Survey data were first collected December 2005.

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Purchasing Managers' Index® (PMI®) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends.

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