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IHS Markit India Services PMI®

Including IHS Markit India Composite PMI®

Marked rise in Indian services activity

Key findings

Output growth remains strong, despite easing to three-month low

Rate of expansion in new business unchanged from March

Sharpest increase in input costs in over since December 2011

Data were collected 12-28 April 2021.

The Indian service sector remained resilient to the escalation of the COVID-19 crisis, with a further solid increase in new work supporting output expansion. Still, panel member reports suggested that the rise in business activity was constrained by the pandemic and sentiment towards growth prospects faded.

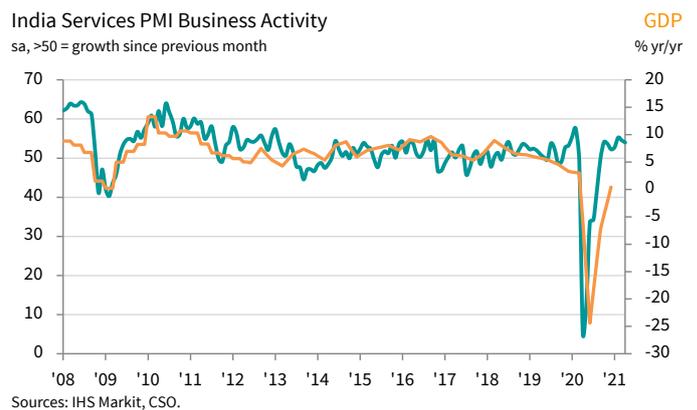
Meanwhile, service providers noted the steepest rise in overall expenses since December 2011. Charges increased only slightly, however, as firms sought to boost sales.

Falling from 54.6 in March to 54.0 in April, the seasonally adjusted India Services Business Activity Index pointed to the slowest increase in output for three months. That said, the latest reading was indicative of a solid rate of expansion that outpaced the long-run survey average.

Anecdotal evidence indicated that ongoing growth of new work underpinned the rise in output, which was nevertheless stymied by the intensification of the COVID-19 crisis. The rate of increase in new business matched that seen in March.

Sub-sector data indicated that business activity and sales expanded in three of the five broad areas of the service economy, the exceptions being Information & Communication and Real Estate & Business Services. Transport & Storage was the brightest spot in April.

Indian services firms were optimistic regarding the 12-month outlook for business activity, but the overall level of positive sentiment fell to the lowest since last October. The escalation of the pandemic was the main drag on confidence.



Companies reported a sharp rise in expenses in April, which they linked to higher prices for food, freight, fuel and a wide range of other items. The overall rate of input cost inflation was the strongest seen in close to nine-and-a-half years.

Some firms lifted their selling prices in April amid the pass-through of rising cost burdens to clients, but 98% of companies left fees unchanged due to efforts to secure new work and remain competitive. As a result, overall charges increased only marginally in April.

While the strongest increase in input costs was noted in the Consumer Services category, the sharpest rate of output charge inflation was evident at Transport & Storage companies.

On the jobs front, there was a further decline in overall service sector employment. Payroll numbers fell for the fifth month in a row in April, albeit at a slight pace that was the weakest since January. The vast majority of panellists kept headcounts unchanged amid reports of sufficient capacity to cope with current workloads.

There was another increase in outstanding business during April, but the overall rate of accumulation was modest and the slowest in the current 11-month sequence of accumulation.

Finally, April data showed that travel restrictions and the COVID-19 crisis continued to curb international demand for Indian services. New export orders declined for the fourteenth month running and at the quicker pace than registered in March.

continued...

IHS Markit India Composite PMI®

Slowest rise in private sector output in year-to-date

Although private sector activity in India continued to expand markedly in April, growth eased to the weakest in 2021 so far. The Composite* PMI Output Index fell from 56.0 in March to 55.4 due to slower increases at goods producers and service providers. The upturn was generally curtailed by the escalation of the COVID-19 crisis.

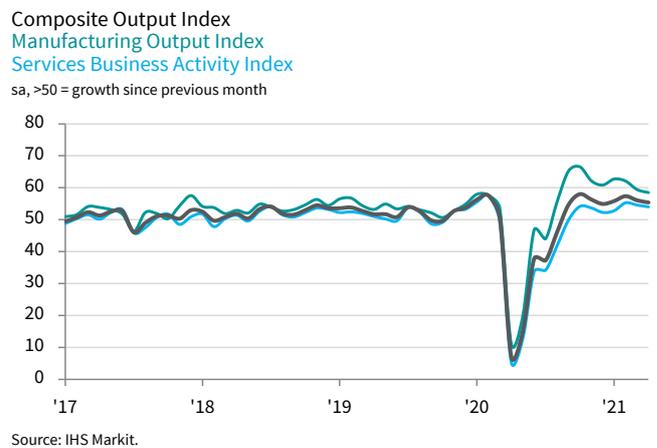
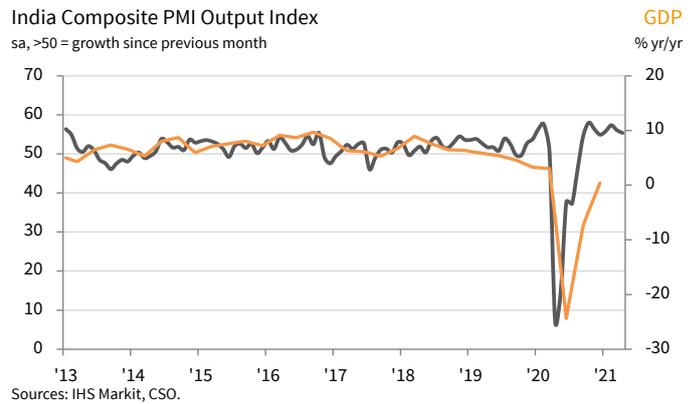
Similarly, aggregate new orders rose at the slowest pace since last December. Manufacturers led the expansion in sales, despite growth easing to an eight-month low.

Private sector employment fell for the fourteenth straight month in April, but the pace of contraction was slight and the softest since January. Slower rates of reduction were recorded in the manufacturing and service sectors.

Supply-chain constraints and a lack of available materials placed further upward pressure on inflation. Input prices facing private sector companies rose at the sharpest pace in close to nine years. The quicker increase was seen among goods producers.

Prices charged by private sector firms increased at the fastest pace since last November, but the overall rate of inflation was modest and much weaker than that seen for input costs.

**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:

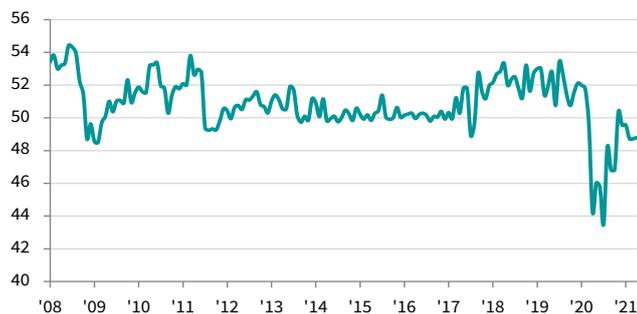
“The PMI results for April showed a more resilient economic performance for the service sector than expected given the escalation of the COVID-19 crisis in India. The rate of sales growth was surprisingly unchanged from March.

“A slightly different picture was seen for business activity. Although service providers signalled a strong expansion, the rate of growth eased to a three-month low. Firms foresee higher output volumes over the course of the coming year, but business sentiment was dampened by worries surrounding the pandemic.

“One area of concern was inflation. Services firms noted the steepest rise in overall expenses in over nine years as global shortages of inputs and higher transportation costs continued to exert upward pressure on outlays. Companies absorbed most of the additional cost burden themselves, as indicated by only a slight increase in selling prices. The gap between rates of inflation for input prices and charges was one of the widest since the global financial crisis.”

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.

Survey dates and history

Data were collected 12-28 April 2021.

Survey data were first collected December 2005.

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