

## Nikkei India Services PMI<sup>®</sup> (with Composite PMI data)

### Job creation strengthens amid sustained rise in new work

#### Key points:

- Service sector employment increases at second-fastest pace since last April...
- ...despite softer growth of activity and new business
- Business sentiment at three-month high

Data collected December 5-19

India's service economy expanded further at the end of 2018, as strengthening demand continued to translate into new business gains. Although growth of new work and activity moderated from November's recent high, companies hired additional workers to a greater extent. Supporting the uptick in job creation was an improvement in business sentiment and easing cost inflationary pressures. Expenses rose at the weakest pace in over one-and-a-half years.

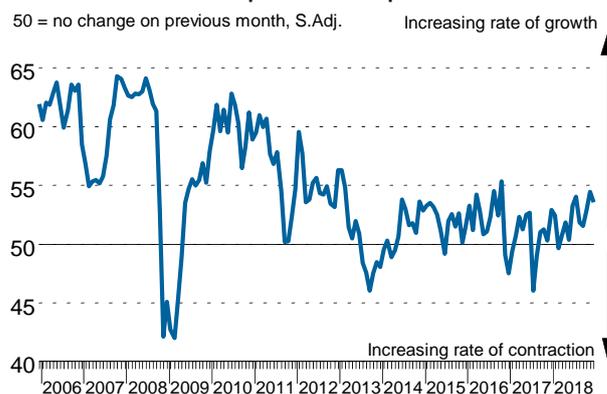
Despite falling to 53.2 in December, from 53.7 mid-quarter, the seasonally adjusted **Nikkei India Services Business Activity Index** pointed to an expansion in sector output that was among the strongest recorded in the past two years. The figure contributed to the highest quarterly average seen since Q4 FY 2015/16. Information & Communication remained the strongest performing category, posting the quickest increases in both new business and activity. Real Estate & Business Services was the only segment to record contractions.

The slowdown in growth of services activity was accompanied by a softer increase in manufacturing production, leading to a weaker rise in private sector output. The seasonally adjusted **Nikkei India Composite PMI Output Index** was down from a 25-month high of 54.5 in November to 53.6 at the end of the year.

Growth of services activity stemmed from ongoing increases in new business. Sales expanded at a slower pace than registered mid-quarter, but one that was among the strongest recorded in the past one-and-a-half years. At the same time, the upturn in factory orders held close to November's 11-month high.

Service sector data suggested that the upturn in total new business was domestically driven as new

Nikkei India Composite Output PMI



Sources: Nikkei, IHS Markit.

export work was broadly unchanged, following a reduction in the prior month. Conversely, manufacturers benefited from greater sales to external markets.

Whereas services firms took on extra staff, outstanding business rose further. But with employment growth accelerating to the second-quickest pace seen since last April, the accumulation in backlogs eased to the weakest in five months. On the other hand, a slower expansion in manufacturing jobs was noted, while work-in-hand increased to a greater extent.

Prices charged for the provision of services in India rose again at the year-end, as firms sought to share additional cost burdens with their clients. Despite being the highest in three months, the rate of output price inflation was marginal. Factory gate charges meanwhile was little-changed, ending a 16-month period of increases.

Cost inflation at services firms softened for the third straight month to the weakest since May 2017. With purchasing prices in the manufacturing industry increasing at a slower pace, aggregate cost inflation eased to the weakest in over two years.

Advertising efforts, new service offerings and predictions of an improvement in market conditions after the elections all boosted business sentiment regarding the 12-month outlook for activity. Furthermore, the level of confidence was the highest seen in three months. By comparison, optimism among goods producers moderated from mid-quarter.

## Comment:

Commenting on the Indian Services PMI survey data, **Pollyanna De Lima**, Principal Economist at IHS Markit, and author of the report, said:

*“India’s service sector continued to enjoy positive levels of activity in December, with new business and employment remaining on an upward path. However, except for jobs, rates of expansion slowed slightly to form a somewhat disappointing end to 2018.*

*“Services companies took a breather from rising expenses as cost inflation eased to a 19-month low. This softening enabled firms to hire extra staff to a greater extent, whilst hiking their charges only marginally. In turn, subdued inflationary pressures and cooling economic growth add some support for a rate cut early next year.*

*“With business sentiment improving for the second successive month, the service sector looks set to sustain growth in 2019 despite predictions of some sluggishness prior to the elections.”*

-Ends-

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### **IHS Markit (About PMI and its comment)**

Pollyanna De Lima, Principal Economist  
Telephone +44 1491 461 075  
Email [pollyanna.delima@ihsmarkit.com](mailto:pollyanna.delima@ihsmarkit.com)

Bernard Aw, Principal Economist  
Telephone +65 6922 4226  
Email [bernard.aw@ihsmarkit.com](mailto:bernard.aw@ihsmarkit.com)

Joanna Vickers, Corporate Communications  
Telephone +44 207 260 2234  
Email [joanna.vickers@ihsmarkit.com](mailto:joanna.vickers@ihsmarkit.com)

### **Nikkei inc. (About Nikkei)**

Ken Chiba, Deputy General Manager, Public Relations Office  
Atsushi Kubota, Manager, Public Relations Office  
Telephone +81 3 6256 7115  
Email [koho@nex.nikkei.co.jp](mailto:koho@nex.nikkei.co.jp)

### **Notes to Editors:**

The Nikkei India Services PMI® is based on data compiled from monthly replies to questionnaires sent to purchasing executives in around 400 private service sector companies. The panel has been carefully selected to accurately replicate the true structure of the services economy.

The Nikkei India Composite PMI® is a weighted average of the Manufacturing Output Index and the Services Business Activity Index, and is based on original survey data collected from a representative panel of around 800 companies based in the Indian manufacturing and service sectors.

Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'. Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease.

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IHS Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from IHS Markit. Please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

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