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IHS Markit India Services PMI®

Including IHS Markit India Composite PMI®

Business activity returns to growth amid rising new work

Key findings

Services output expands for first time in three months

New business growth at four-month high

Job creation picks up from October

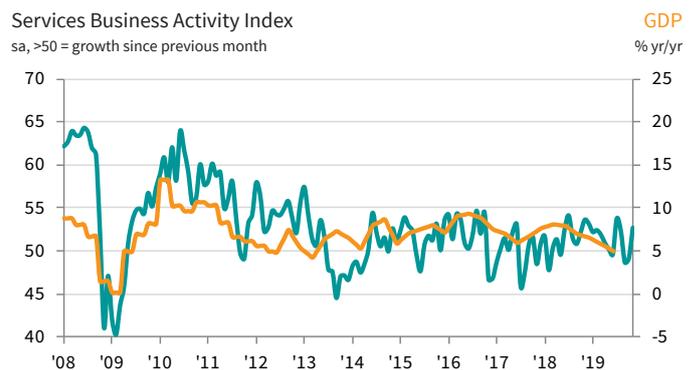
Indian service providers signalled a moderate rebound in business activity during November, with the return to output growth accompanied by a renewed rise in new business intakes, faster job creation and strengthening business confidence. Meanwhile, pressures on operating margins intensified, with cost burdens increasing at a more marked pace than average selling prices.

Posting 52.7 in November (October: 49.2), the IHS Markit India Services Business Activity Index signalled output growth for the first time in three months. The upturn was associated with a pick-up in demand, improved technology and rising client numbers. That said, the headline figure remained below its long-run average of 54.2.

The modest expansion of services activity was achieved by growth in three of the five categories monitored by the PMI survey, namely Consumer Services, Information & Communication and Real Estate & Business Services. Activity fell at Transport & Storage and Finance & Insurance firms.

Overall volumes of incoming new work increased to the greatest extent in four months, following a stabilisation in October. Companies that reported higher sales generally cited better demand conditions.

November data signalled a ninth successive rise in new business from international markets, with the pace of expansion accelerating slightly from October.



Sources: IHS Markit, CSO.

Service providers' levels of work-in-hand rose for the second straight month in November. Survey respondents suggested that backlogs of work increased as a result of pending client payments. The pace of accumulation was, however, moderate.

Employment continued to increase in November. Although moderate, the pace of job expansion accelerated to a three-month high and was in line with the long-run series average. Anecdotal evidence highlighted improving demand as the main factor boosting workforce numbers. Four of the five broad areas of the service economy monitored by the survey recorded job creation, the sole exception being Finance & Insurance.

Average input prices increased solidly in November, with the rate of inflation quickening to a 13-month high. Survey respondents mostly attributed higher cost burdens to rising food, fuel and medicine prices. The rise in input costs was widespread across the five tracked sub-sectors.

Concurrently, average prices charged for the provision of services in India increased only slightly and at the weakest pace since July. This meant that the gap between rates of input cost and output charge inflation was the widest noted for over a year.

Looking ahead, November data signalled improving confidence about the prospects for the Indian service economy. The level of positive sentiment was at a three-month high, but well below its long-run average. Marketing initiatives, lower lending rates and favourable state policies were cited as potential growth drivers.

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IHS Markit India Composite PMI®

Indian private sector rebounds in November

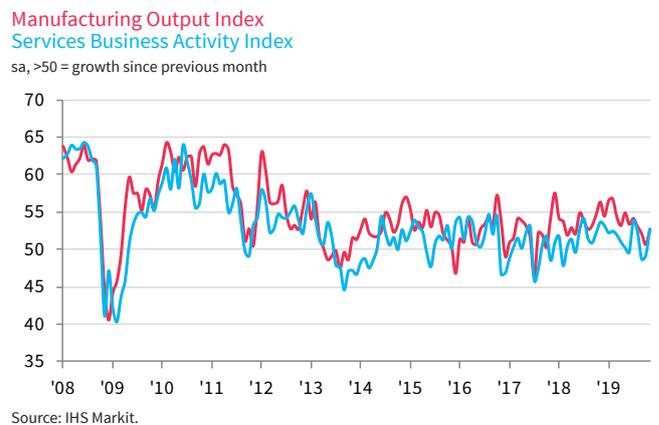
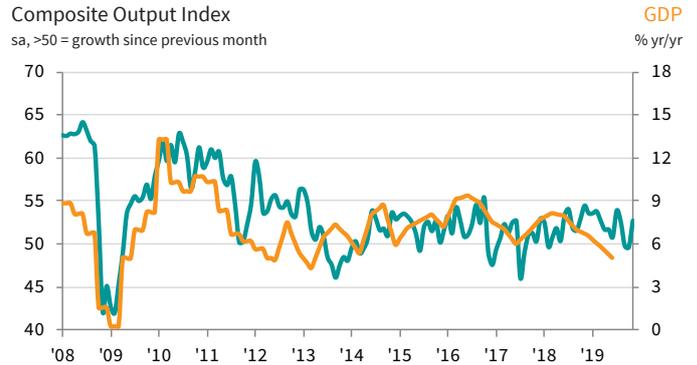
Following back-to-back contractions, Indian private sector output expanded in November. The upturn reflected faster growth of manufacturing production and a renewed rise in services activity. The Composite* PMI Output Index rose from 49.6 to 52.7, signalling a moderate pace of increase that was below the long-run survey average.

Aggregate new orders increased for the second straight month in November and to the greatest extent since July. Growth was seen in both the manufacturing and service sectors.

Trends for employment varied. While job creation was sustained in the services economy, goods producers signalled reduced headcounts for the first time in 20 months. At the composite level, there was a slight rise in payroll numbers.

Lastly, input cost inflation across the private sector accelerated to a one-year high, but remained historically weak, while the rate of charge inflation was unchanged from October.

**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, Principal Economist at IHS Markit, said:

"Although the services economy shrugged off some of the weakness seen in September and October, the latest PMI results continue to sound a note of caution regarding demand and the underlying state of the sector.

"The main positive to be taken from November's survey was a renewed increase in new work, which provided the platform for growth of services

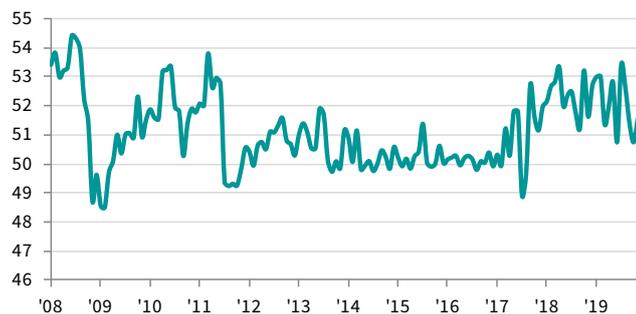
activity and employment whilst resulting in an improvement in business confidence. But, while the sector moved along nicely and looks set for a sustained expansion in December, there were signs of fragility.

"Rates of expansion in sales and activity were mild by historical standards, while the degree of business confidence remained subdued. Also, a moderation in charge inflation, which came despite the strongest upturn in cost burdens for over a year, highlights a lack of pricing power among services firms.

This relatively weak rise in charges likely supported demand in November, but leads to questions on how long firms can absorb cost increases and sacrifice margins in favour of demand growth."

Services Employment Index

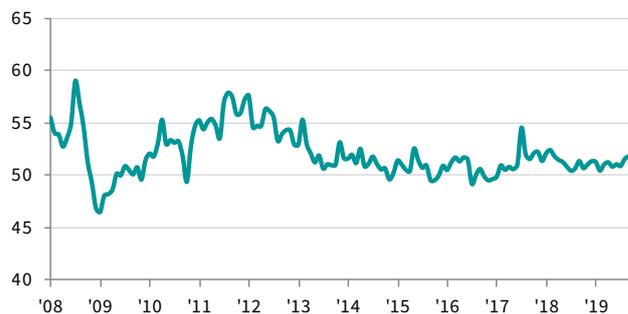
sa, >50 = growth since previous month



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

November 2019 data were collected 12-27 November 2019.

Survey data were first collected December 2005.

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