

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

## Weaker rise in sales drags services activity growth to seven-month low

### Key points:

- April sees slower increases in new business and services activity...
- ...but job creation ticks higher
- Rate of input cost inflation fades

Data collected April 10-26

The Indian service sector lost momentum in April, with rates of new business and output growth both cooling to seven-month lows. That said, predictions that economic conditions will normalise after the elections underpinned optimism regarding the outlook and supported a stronger upturn in employment. At the same time, rates of inflation for input costs and output charges remained weak by historical standards.

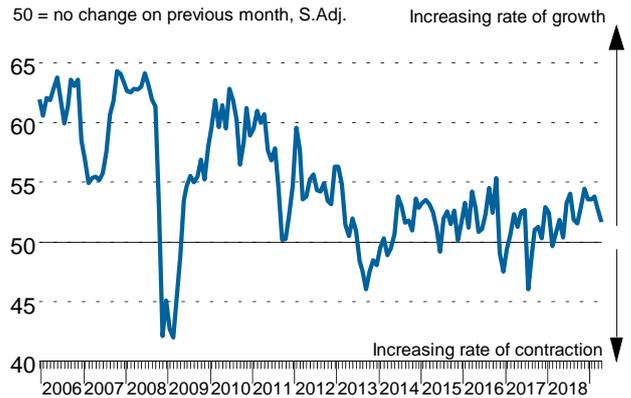
Falling from 52.0 in March to 51.0 at the start of the 2019 financial year, the seasonally adjusted **Nikkei India Services Business Activity Index** pointed to the weakest upturn in output since last September. Moreover, the headline figure dipped below the average seen over 2018 (51.6). Growth was linked to greater bookings, improved facilities and effective marketing, though curbed by competitive pressures and the elections.

With growth of manufacturing production also softening to a seven-month low, the seasonally adjusted **Nikkei India Composite PMI Output Index** fell from 52.7 in to 51.7 in April. The latest figure was indicative of a slight pace of expansion in aggregate activity that was weaker than seen on average over the series history.

Amid reports of strategic pricing and successful advertising, incoming new work at services firms rose further in April. However, the upturn was only slight and the weakest in seven months. The expansion was reportedly curtailed by greater online bookings among customers, competitive conditions and the elections. At the same time, factory orders increased at the slowest rate since last August.

The rise in total sales at service providers was supported by stronger demand from overseas markets, as signalled by the quickest increase in new export business for ten months. A marginal uptick in growth was noted in the manufacturing industry.

Nikkei India Composite Output PMI



Sources: Nikkei, IHS Markit.

Buoyed by ongoing improvements in new work and optimistic growth projections, service providers placed more people into jobs during April. The rise in employment was moderate, though quickened from March. On the other hand, job creation in the manufacturing sector eased to the weakest in the current 13-month sequence of expansion.

Input price inflation in India's service economy moderated to the second-slowest rate recorded in almost two years. In fact, close to 98% of companies indicated unchanged cost burdens from March. Across the private sector, the latest increase in input prices was the least pronounced in close to two-and-a-half years.

Only negligible increase in output charges were registered in the manufacturing and service sectors in April.

Almost one-fifth of service providers foresee growth of business activity in the coming 12-month period, with many indicating that economic conditions are likely to normalise once a government is formed. Optimism was also supported by marketing initiatives, the upcoming launch of low-cost services and efforts to expand capacity. The overall level of sentiment across the private sector was the second-highest recorded since September 2018.

Finally, Indian services firms continued to report greater levels of unfinished business during April. Delayed client payment was cited as the key reason preventing firms from completing outstanding workloads. Backlogs also increased among goods producers.

## Comment:

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

*“Although the Indian private sector economy looks to be settling into a weaker growth phase, much of the slowdown was linked to disruptions arising from the elections and companies generally foresee improvements once a government is formed.*

*“However, voting was not the only reason cited for the slowdown. In the service sector, competitive conditions and a shift towards online bookings among customers reportedly restricted new business gains and in turn growth of activity. On a more positive note, the labour market is showing resilience as companies hired extra staff at an accelerated pace.*

*“Another key takeaway from the latest results is the lack of inflationary pressures in both the manufacturing and service sectors, which coupled with slower economy growth offers room for a further cut to the benchmark repurchase rate.”*

-Ends-

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### **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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