

Nikkei India Services PMI[®] (with Composite PMI data)

Services activity returns to growth

Key points:

- Output rises for first time in three months...
- ...mirroring the trend for new business
- Jobs created at quickest pace in almost six-and-a-half years

Data collected September 12-27

The Indian service sector recovered from the GST-related contractions registered in the previous two months, as signalled by renewed increases in new business and output. Greater workloads supported job creation in September, with the rate of employment growth the strongest since June 2011. Input cost inflation accelerated in the latest month, while output charges rose at the weakest rate in since June.

Edging above the no-change mark of 50.0 in September, the seasonally adjusted **Nikkei India Services PMI Business Activity Index** pointed to a return to growth of output. The headline figure rose from 47.5 in August to 50.7, a reading that was indicative of a slight pace of expansion.

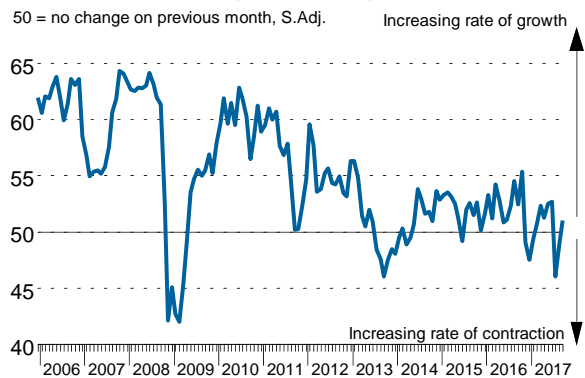
There was an expansion in manufacturing output for the second consecutive month. Improvements in both sectors meant that the **Nikkei India Composite PMI Output Index** rose from 49.0 in August to 51.1 in September.

Companies indicated that the combination of marketing campaigns and strengthening demand conditions led to new business growth in September. The increase was slight overall, but the first since June. Supported by inflows of new work, business activity rose for the first time in three months.

Likewise, factory output and orders rose at the end of the third quarter, linked to stronger domestic demand. At the composite level, growth in new orders was only slight and weaker than the long-run trend.

The improving economic environment supported job creation, with services employment in fact increasing at the fastest rate in 75 months. Employment increased in two of the five sub-

Nikkei India Composite Output PMI



Sources: Nikkei, IHS Markit.

sectors monitored by the survey, namely Transport & Storage and Consumer Services.

Reflecting improvements in new orders, manufacturers continued to add to their payroll numbers in September. Although modest, the rate of employment growth quickened to the fastest since October 2012.

Input costs facing service providers continued to rise during September, which panellists linked with higher prices for fuel, stationary items and vegetables. The rate of inflation quickened to the fastest since March. Service providers raised output prices for the eighth month running, reportedly due to the passing on of higher input costs to clients. Nonetheless, output charge inflation slowed to the weakest since June and was modest.

In the manufacturing sector, the rate of input price inflation intensified in September but was modest. Firms were only able to increase output charges at a marginal pace as they reportedly faced competitive conditions.

Outstanding business volumes rose at service providers in September. Moreover, the rate of accumulation accelerated to the most pronounced rate since the inception of the series in December 2005. According to a number of monitored companies, delayed client payments and cash flow difficulties contributed to higher work-in-hand. The only sector to buck the overall upward trend was Information & Communication where no change in

backlogs was registered. Meanwhile, manufacturing backlogs rose at a slight pace.

Service providers remained optimistic towards growth prospects over the coming 12 months, linked to forecasts of improved economic conditions and planned investments. That said, business confidence dipped to a three-month low at the end of the third quarter, mirroring the trend observed for the private sector.

Comment:

Commenting on the Indian Services PMI survey data, **Aashna Dodhia**, Economist at IHS Markit, and author of the report, said:

“The Indian private sector regained some lost ground since the implementation of July’s GST as service providers followed the manufacturing industry back to growth. The service sector registered slight expansions in output and new orders.

“The labour market was strengthened over the month as the pace of job creation quickened to the fastest since mid-2011, led by the Transport & Storage and Consumer Services sub-sectors.

“The manufacturing sector signalled a faster rate of output expansion than its service sector counterpart. The composite PMI for the July-September quarter indicated the lowest average since October-December 2013 as the private sector transitions from recent structural shocks.”

-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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