

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

Service sector gathers momentum in October

Key points:

- Output rises for the second consecutive month...
- ...in line with the trend for new business
- Input costs increase at the joint-fastest pace since April 2016

Data collected October 12-27

The Indian service sector's recovery following the implementation of the goods and services tax (GST) gathered pace as the sector observed a faster rise in activity, underpinned by greater inflows of new business. Increased capacity pressures led to firms raising staffing levels for the second month in succession.

On the price front, input prices rose at the joint-fastest pace since April 2016 whilst firms raised output charges. Service providers remained optimistic towards the 12-month outlook for output, despite levels of business confidence dipping to the weakest since June.

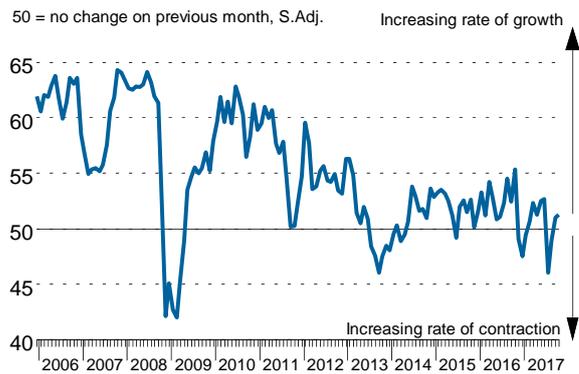
Posting above the neutral 50.0 threshold in October for the second month in succession, the seasonally adjusted **Nikkei India Services PMI Business Activity Index** signalled modest growth in the sector. The headline figure rose from 50.7 in September to 51.7 in October. That said, the latest reading remained below the long-run series average (54.7).

Meanwhile, there was a slowdown in the rate of growth of Indian manufacturing production. The **Nikkei Composite Output Index** rose slightly from 51.1 in September to 51.3 in October, and therefore signalled only a slight rate of expansion.

The overall upturn in the service sector was supported by rising new work for the second consecutive month in October. Where an increase was noted, panellists commented on favourable demand conditions. In contrast, manufacturing order books were broadly unchanged.

Although service providers retained an optimistic outlook regarding activity over the coming 12 months, the level of business confidence fell to the lowest since June. Business confidence was

Nikkei India Composite Output PMI



Sources: Nikkei, IHS Markit.

frequently associated by panellists to the long-term expected benefits of GST.

The rate of input cost inflation in the service sector intensified to the joint-fastest since April 2016 and was solid overall. Raw materials such as vegetables were reported by panellists as increasing in price over the month. That said, the rise in prices remained below the long-run series average. At the sector level, the sharpest rise in input prices was noted in Consumer Services, followed by Real Estate & Business Services. At manufacturers, purchase price inflation accelerated to the fastest pace since May.

Meanwhile, service providers raised their average selling prices. The rate of inflation picked up from the prior month, but was still modest. Manufacturers raised their output prices to pass on higher input costs to clients. Although marginal, the rate of inflation was the strongest in four months.

Backlogs of work rose at service providers for the seventeenth month in succession. Furthermore, the rate of expansion was the most pronounced since the inception of the survey in December 2005. A rise in outstanding business was attributed by respondents to delays caused by the implementation of GST. Meanwhile, growth in outstanding business at manufacturers was only marginal.

In response to greater output requirements, service providers raised their staffing levels for the second

month in succession. That said, the rate of job creation slowed from the preceding month. At the same time, manufacturing companies raised their staffing levels at a modest pace that was broadly unchanged from September's 59-month high.

Comment:

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

"The recovery from the implementation of the goods and services tax (GST) in July was sustained in the private sector in October, mainly radiating from service providers as growth in manufacturing was relatively subdued. Moreover, the service sector reported the fastest rise in new business since June. That said, these key growth indicators remained relatively muted.

"Although the degree of business confidence fell to the weakest since June, service providers retained an optimistic outlook regarding business activity over the coming 12 months, whilst the labour market was further reinforced as firms raised their payroll numbers over the month.

"On the price front, the service sector experienced further upward cost pressures as the rate of inflation quickened to the joint-fastest since April 2016. Encouragingly, the composite PMI was at the highest since June, supporting the IHS Markit forecast that GDP is on track to expand at 6.8% in FY 2017-18."

-Ends-

Nikkei India Services PMI[®] is sponsored by **NIKKEI**

Nikkei is a media organization with newspaper publishing at its core. Our flagship daily newspaper, The Nikkei, has approximately three million subscribers. Nikkei's multi-platform media distribution also includes online, broadcast and magazines.

The Nikkei marks its 140th anniversary this year. Since our founding in 1876 as the Chugai Bukka Shimpo (Domestic and Foreign Prices News), we have consistently provided high-quality reporting while maintaining fairness and impartiality. The Nikkei brand has become synonymous with trustworthiness at home and abroad.

Nikkei Inc. offers a range of media platforms to satisfy the diverse needs of our readers. At the core of these services is The Nikkei which has a circulation of approximately three million. Adding further depth to our offerings are our premium content and strong digital technology. The number of paying subscribers to the Nikkei Online Edition, which was launched in 2010, has surpassed 400,000. Our fee-based online services have one of the largest readerships in the world among newspaper publishers. Five years after its creation, the online edition is set to evolve from a medium for providing news to readers into a tool that helps people advance their careers.

In 2013, we kicked off the Nikkei Asian Review, an English-language news service provided both online and as a weekly print magazine. The following year, we established an Editorial Headquarters for Asia in Bangkok to deepen our coverage of Asian economic news. In addition, we doubled the number of reporters stationed in Asia outside Japan. 2014 also saw the launch of Nikkei Group Asia Pte., a new company in Singapore tasked with spreading the Nikkei brand in the region. Our goal is to make Nikkei the leading media voice in Asia.

<http://www.nikkei.co.jp/nikkeiinfo/en/>

NIKKEI ASIAN REVIEW <http://asia.nikkei.com/>

INTRODUCING THE ONLY BUSINESS PUBLICATION THAT BRINGS YOU INSIGHTS ABOUT ASIA, FROM THE INSIDE OUT

With more reporters and contributors across the region than any other business publication, only Nikkei Asian Review can give you a view of business in Asia from the inside.

Stay abreast of the latest news, analysis and insights with a subscription to Nikkei Asian Review – available in print, online, and on your mobile and tablet device.



Asia300:

Providing extensive coverage of over 300 leading companies in 11 countries and regions in Asia. Nikkei Asian Review aims to build the largest hub for Asian corporate news through enhanced reporting backed by large database of business and financial information on companies in the region.



JAPAN UPDATE:

Keeping you up-to-date with business and news from Japan.



VIEWPOINTS:

Bringing views of leading minds on Asia from around the world, including our column "Tea Leaves" written by some of our best writers.



POLITICS & ECONOMY:

Looking at fiscal and monetary policy, international affairs and more.



MARKETS:

Deep analysis of the markets, with detailed industry news to keep you abreast of some of the fastest growing sectors in the region.



Video:

Watch analysts explain our articles, catch interviews with top executives.



Print Edition:

Weekly delivery of the best content from Nikkei Asian Review to your home or office.



For further information, please contact:

IHS Markit (About PMI and its comment)

Aashna Dodhia, Economist
Telephone +44 1491 461 003
Email aashna.dodhia@ihsmarkit.com

Joanna Vickers, Corporate Communications
Telephone +44 207 260 2234
Email joanna.vickers@ihsmarkit.com

Bernard Aw, Principal Economist
Telephone +65 6922 4226
Email bernard.aw@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

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.

The Purchasing Managers' Index[®] (PMI[®]) survey methodology has developed an outstanding reputation for providing the most up-to-date possible indication of what is really happening in the private sector economy by tracking variables such as sales, employment, inventories and prices. The indices are widely used by businesses, governments and economic analysts in financial institutions to help better understand business conditions and guide corporate and investment strategy. In particular, central banks in many countries use the data to help make interest rate decisions. PMI surveys are the first indicators of economic conditions published each month and are therefore available well ahead of comparable data produced by government bodies.

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.

About IHS Markit (www.ihsmarkit.com)

IHS Markit (Nasdaq: INFO) is a world leader in critical information, analytics and expertise to forge solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 key business and government customers, including 85 percent of the Fortune Global 500 and the world's leading financial institutions. Headquartered in London, IHS Markit is committed to sustainable, profitable growth.

IHS Markit is a registered trademark of IHS Markit Ltd. All other company and product names may be trademarks of their respective owners © 2017 IHS Markit Ltd. All rights reserved.

About PMI

Purchasing Managers' Index[®] (PMI[®]) surveys are now available for over 40 countries and also for key regions including the Eurozone. They are the most closely-watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. To learn more go to www.markit.com/product/pmi.

The intellectual property rights to the Nikkei India Services and Composite PMI[®] provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index[®] and PMI[®] are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. Nikkei use the above marks under license. IHS Markit is a registered trademark of IHS Markit Ltd.

If you prefer not to receive news releases from IHS Markit, please email joanna.vickers@ihsmarkit.com. To read our privacy policy, [click here](#)