

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

Activity rises again as employment growth improves to fastest since March 2011

Key points:

- Headline Business Activity Index rises to 51.4
- Faster rise in new business
- Inflationary pressures continue to ease

Data collected April 12-26

India's service sector continued to improve at the start of the quarter, with business activity rising at a faster pace, supported by new order growth. Reflecting improvements in demand conditions, job creation accelerated to the sharpest since March 2011. Inflationary price pressures continued to ease further, with input and output charge inflation registering below their respective historical averages.

The seasonally adjusted **Nikkei India Services Business Activity Index** rose from 50.3 to 51.4 in April. This signalled a faster expansion in output at Indian service firms than in the prior month. According to anecdotal evidence, greater inflows of new work helped to bolster activity. However, the latest upturn was modest and remained weaker than the series trend.

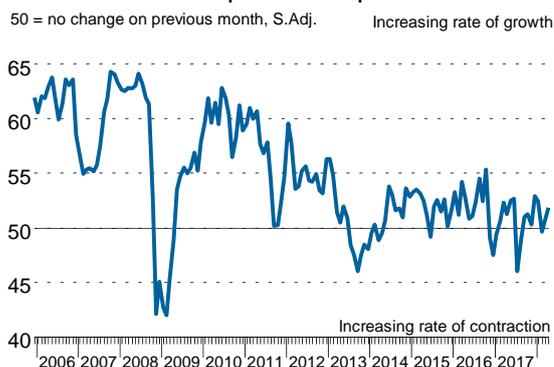
The seasonally adjusted **Nikkei India Composite PMI Output Index** rose from 50.8 to a three-month high of 51.9 in April, driven by faster output growth in both the manufacturing and service sectors. The latest reading was consistent with a modest rise in overall business activity.

April data pointed to higher order book volumes across India's service sector. Although modest, the latest expansion accelerated from the preceding month. Favourable demand conditions were behind the latest rise, according to anecdotal evidence.

New orders placed at Indian manufacturers rose for the sixth successive month during April. Despite being modest, the rate of growth quickened. There were reports of stronger market demand supporting new client wins.

Outstanding business at service companies continued to increase during April. Despite softening from the prior month, the pace of accumulation was solid.

Nikkei India Composite Output PMI



Sources: Nikkei, IHS Markit.

Negating the decline in March, India's manufacturing sector reported a rise in backlogs, albeit only marginally.

Reflective of improvements in demand conditions and greater output requirements, service companies raised their staffing levels during April. Furthermore, job creation was solid and accelerated to the strongest in over seven years.

Meanwhile, the manufacturing sector reported a renewed rise in staffing levels. That said, the rate of growth was marginal. Favourable demand conditions stimulated recruitment, according to anecdotal evidence.

As has been the case since September 2016, cost burdens faced by the service sector rose in April. Respondents mainly linked higher raw material costs to increased prices for food and transport. However, inflation moderated for the second month in a row and was the weakest since August 2017. Real Estate & Business Services registered the sharpest rise in input costs.

Indian manufacturing companies also recorded easing inflationary pressures, with input costs rising to the weakest degree since September 2017.

Meanwhile, service sector output prices also rose at a modest pace in April. Moreover, inflation was the slowest in 2018 so far. The pass through of higher cost burdens to clients led to higher output charges, according to panellists.

At the same time, manufacturing companies raised their output charges for the ninth consecutive

month in April. However, the latest rise was modest and eased to the weakest since July 2017.

Firms operating in the service sector remained confident towards the 12-month outlook for output in April. Expectations of further improvements in economic conditions was the key factor that supported confidence, with around 23% of the survey panel forecasting growth. However, the level of sentiment remained below the series trend.

At the same time, the degree of optimism across India's manufacturing sector was the strongest recorded since the implementation of the Goods and Services Tax in July 2017 amid reports of anticipated improvements in demand conditions.

Comment:

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

"It was encouraging to see the Indian service economy report a positive start in the April quarter, with output growth gaining momentum as demand conditions improve. Subsequently, the best round of job creation since March 2011 was registered within the sector."

"India's overall economy also saw price pressures moderating further, with input and output charge inflation registering at the slowest since September 2017 and June 2017 respectively."

"The service economy continued to recover further from February's temporary decline. However, as the service economy contributes a greater proportion to real GDP, and continued to be outperformed by its manufacturing counterpart, overall private sector growth was only modest and below the historical trend."

-Ends-



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IHS Markit (About PMI and its comment)

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

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

Joanna Vickers, Corporate Communications
Telephone +44 207 260 2234
Email 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

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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