

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

Business activity falls slightly as new orders stagnate in May

Key points:

- Activity down for the first time in three months
- Employment rises at slowest rate of 2018 so far
- Cost pressures intensify amid higher fuel costs

Data collected May 11-29

Latest survey data indicated that India's service sector reported a contraction in business activity for the first time in three months and a broad stagnation in new orders. Reflecting competitive conditions, jobs growth slowed to the weakest since last December. On the price front, input cost inflation picked up from April's recent low and was solid overall. That said, service providers were restricted in their ability to fully pass on higher cost burdens to clients.

The seasonally adjusted **Nikkei India Services Business Activity Index** fell from 51.4 to 49.6 in May. This was indicative of a marginal contraction in business activity, following a two-month period of growth. According to anecdotal evidence, competitive demand conditions was the key factor behind a decline in output.

The headline seasonally adjusted **Nikkei India Composite PMI Output Index** fell from 51.9 in April to 50.4 in May. The latest reading indicated the weakest improvement in the health of the private sector in the current three-month sequence of growth. Overall, modest growth in the manufacturing sector outweighed the marginal decline in the service sector.

Meanwhile, a broad stagnation in new orders was recorded across the service sector in May.

At the same time, new business at Indian manufacturing companies rose for the seventh consecutive month. However, the latest growth was the weakest in three months.

Despite weak demand conditions, service providers continued to recruit employees further during May. However, job creation was modest and the weakest in 2018 so far. Jobs growth was nonetheless evident across all monitored broad sectors, with the sharpest increase in Information & Communications.

Nikkei India Composite Output PMI



Sources: Nikkei, IHS Markit.

Reflecting sustained growth in manufacturing output, manufacturers raised their payroll numbers in May. That said, in line with the trend for output and new orders, job creation eased from the latest survey period.

As has been the case since June 2016, backlogs accumulated at service providers in May, albeit only marginally. According to panellists, higher volumes of unfinished business partly emanated from delayed client payments.

Input prices rose across the service sector during May, thereby extending the current sequence of inflation to 21 months. Higher salaries, as well as prices for fuel and vegetables were reported to have increased in the latest survey period. Despite registering below the historical average, input cost inflation picked up from April's eight-month low and was solid overall. Information & Communication recorded the fastest rise in costs.

Amid reports of higher oil and steel costs, Indian manufacturing companies faced higher cost burdens for the thirty-second consecutive month in May. Moreover, inflation was marked and the strongest since February.

Despite a sharper rise in input prices, service sector output charge inflation moderated to an 11-month low. This highlighted that firms were unable to fully pass on higher cost burdens to price-sensitive customers.

Looking ahead, business confidence towards the 12-month outlook for output among service providers was the strongest since January 2015. Panellists reported that promotional activities and

an improvement in demand conditions underpinned business confidence.

Comment:

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

“The performance of the service sector was disappointing in May, as output dipped into contraction for the first time in three months. The slowdown in service activity fed into the labour market, as jobs growth moderated from April’s seven-year high.

“A bright spot of the services PMI data was that business sentiment was the strongest since January 2015, rooted in expectations of improvements in demand conditions in the year ahead.

“However, India saw the slowest improvement in the health of the overall economy since February in May, whilst the latest survey showed the effects of higher global oil prices as the private sector recorded the most marked input cost inflation for three months.”

-Ends-



Nikkei India Services PMI[®] is sponsored by

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

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 two and a half 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 500,000. Our fee-based online services have one of the largest readerships in the world among newspaper publishers. Eight years after its creation, the online edition has evolved 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/>

<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.

her information, please contact:



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.



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 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 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2018 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 trademarks 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. and/or its affiliates.

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