

Nikkei India Services PMI™ (with Composite PMI data)

April sees slower rises in services activity, new business and employment

Key points:

- Weakest increase in output in current three-month sequence of growth
- New business and employment expand only marginally
- Level of business sentiment falls

Data collected April 11-26

Indian service sector activity continued to expand during April, supported by ongoing growth of new work, and companies hired additional staff over the month. However, in all three cases, the rates of increase weakened. On the price front, average input cost inflation slowed from March's nine-month high amid reports of lower fuel prices partly offsetting higher transport costs arising from lorry strikes. Conversely, the rate of charge inflation accelerated.

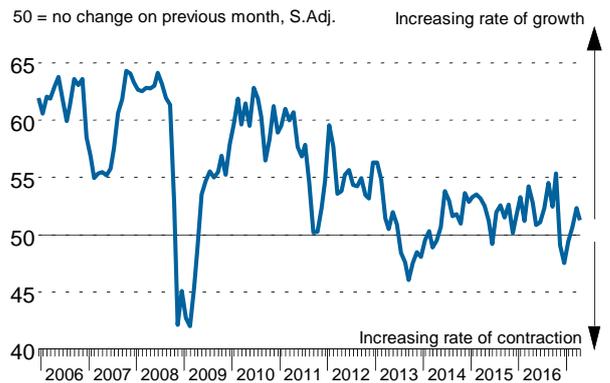
The headline seasonally adjusted **Nikkei Services PMI Business Activity Index** was down from 51.5 in March to 50.2 in April. Expansion has now been registered for three successive months, but the latest reading was the lowest in this period. Companies linked the upturn in activity to higher new business, though challenging market conditions hampered growth.

With the strength of the upturn in manufacturing production also losing pace, growth of private sector activity softened since March. The seasonally adjusted **Nikkei India Composite PMI Output Index** was down from 52.3 to 51.3 in April, and therefore signalled only a slight rate of expansion.

Advertising campaigns reportedly supported the increase in services new work. There was, however, evidence that growth was stymied by competitive pressures. The rate of expansion in new business was only marginal overall, having softened from that registered in March. In contrast, order books at goods producers rose to the greatest extent in six months.

Services companies also signalled positive predictions for future output growth. Nonetheless, optimism fell slightly, with around 18% of survey

Nikkei India Composite Output PMI



participants anticipating lower activity in the year ahead compared with 21% that foresee expansion. There were reports that new proposals, additional marketing campaigns and new offerings would aid the upturn in activity, while concerns towards the increasingly competitive environment weighed on confidence. Sentiment among manufacturers improved to a five-month high.

Indian service providers responded to the sustained rise in new business by recruiting additional workers. Nevertheless, as was the case for output and new orders, the rate of job creation eased and was below the long-run survey average. Similarly, manufacturing employment increased at a softer pace.

Meanwhile, backlogs of work at services firms increased slightly in April, extending the current period of accumulation to 11 months. Once again, the rise in outstanding business was linked by panellists to pending client payments. By comparison, work-in-hand at manufacturers expanded at the slowest rate in the current 11-month sequence of accumulation.

Indian service providers indicated that lorry strikes meant that prices paid for transportation and vegetables increased in April. That said, the overall rate of inflation eased since March. This reportedly occurred due to lower fuel bills curbing the intensity to which costs rose. Purchasing prices facing goods producers increased at a faster rate, but one that was mild in the context of historical data.

Service providers raised their own output charges (on average) in April. Selling prices have now increased for three months in a row. The rate of inflation remained slight and below its long-run average, despite accelerating since March. Factory gate charges also rose, but inflation was at a three-month low.

Comment:

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

“April PMI data for the Indian service sector show how jittery the current economic environment is, igniting concerns among some businesses, despite remaining in growth territory. Slower and only marginal increases in new work and activity were seen, with these indicators close to the stagnation mark. Firms were cautiously optimistic towards future performance, and have been so for a while. The latest results indicate that the road to recovery from the notes ban is still bumpy and is a reminder that the sector is not out of the woods yet.”

-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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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 Markit. Please contact economics@ihsmarkit.com.

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