News Release

EMBARGOED UNTIL: 10:30 (Mumbai), 05:00 (UTC), February 3rd 2017

Nikkei India Services PMI™ (with Composite PMI data)

Services activity heads towards stabilisation

Key points:

- Downturn in output softens to moderate pace...
- ...in line with slower contraction in new business
- Optimism improves from December's one-year low

Data collected January 12-27

The downturn in service sector activity across India softened during the opening month of 2017, with the slowdown reflecting a weaker contraction in new business inflows. Elsewhere, headcounts rose marginally, while work-in-hand increased for the eighth successive month. Input cost inflation slowed since December to a pace that was only marginal, whereas average selling prices decreased again.

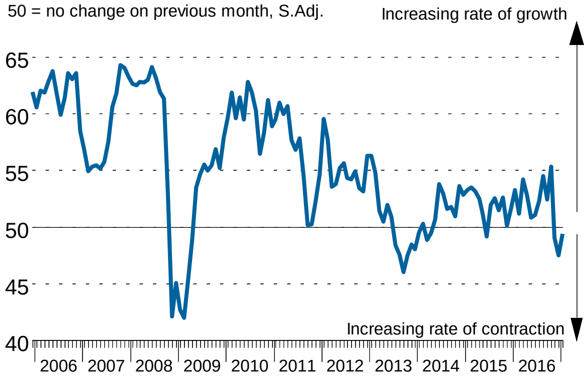
Rising from 46.8 at the end of 2016 to 48.7 in January, the seasonally adjusted headline **Nikkei India Services Business Activity Index** pointed to the slowest fall in output in the current three-month sequence of reduction. Where contraction was signalled, panellists commented on ongoing declines in new work. Nevertheless, some firms indicated that market conditions had improved following the close of the window for exchanging high-value rupee notes.

The seasonally adjusted **Nikkei India Composite PMI Output Index** rose from December's 38-month low of 47.6 to 49.4 in January, pointing to a weaker contraction in private sector activity that was only marginal. The slowdown was supported by a rebound in factory production.

New orders at services firms dipped at a softer rate in January. Almost 11% of panellists reported falling levels of incoming new business, which they commonly associated with a relatively lower amount of cash in circulation. Concurrently, factory orders rose in the latest month.

January data highlighted an increasing degree of pressure on the capacity of private sector firms' operations as outstanding business rose to a greater extent than in December. Faster rates of backlog accumulation were noted in both the manufacturing and service sectors.

Nikkei India Composite Output PMI



Sources: Nikkei, IHS Markit.

Service sector employment increased at the start of 2017, although only marginally. The respective index remained close to the no-change mark of 50.0, therefore continuing a trend of broadly stagnant workforce numbers that stretches back to late 2015. By comparison, goods producers left payroll numbers unchanged during January.

As has been the case since last September, input costs facing service providers increased during January. However, having eased from December, the rate of inflation was relatively muted in the context of historical data. Output prices, on the other hand, were lowered for the fourth straight month. That said, the rate of discounting was fractional overall. In the manufacturing industry, rates of inflation for input costs and selling prices were at 29- and two-month highs respectively.

Sentiment among services companies improved considerably during January on the back of expectations that market conditions will soon normalise. Exactly 17% of panellists anticipate higher activity levels at their units in the coming 12 months, while the remaining firms foresee no change. Likewise, manufacturers' confidence improved from December's one-year low.

Continues…

Comment:

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

"India's pivotal service sector remained in contraction territory in the opening month of 2017, with both new business and activity falling for the third straight month. However, a rebound in the near term is likely as rates of reduction softened and business confidence improved on the back of hopes that market conditions will soon normalise.

"What started as a downturn driven by the 500 and 1,000 rupee notes ban appears now to be losing strength. In fact, manufacturers already saw a turnaround, with production being raised in line with higher order books. The upturn at goods producers combined with a slowdown in the contraction of services activity resulted in only a fractional drop in private sector output.

"PMI price indicators point to relatively muted inflationary pressures in the private sector economy. As such, there is room for accommodative monetary policy."

-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)
Pollyanna De Lima, Economist
Telephone +44 1491 461 075
Email pollyanna.delima@ihsmarkit.com

Bernard Aw, 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.

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.

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.

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.

About PMI

Purchasing Managers' Index™ (PMI™) surveys are now available for over 30 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.