

# Nikkei India Services PMI<sup>®</sup> (with Composite PMI data)

## Business activity stabilises in March

### Key points:

- Headline Business Activity Index rises to 50.3 in March
- Marginal rise in new business
- Job creation quickened to the strongest since June 2011

Data collected March 12-27

Following a modest contraction in February, Indian service activity stabilised in March, underpinned by greater inflows of new work. As business sentiment was at the strongest level since July, firms raised their staffing levels at the fastest pace since June 2011. On the price front, input cost inflation was marked but softened from February's three-month high. Subsequently, output charge inflation eased to the weakest in 2018 so far.

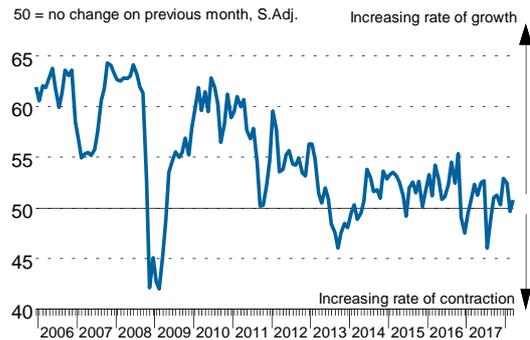
The seasonally adjusted **Nikkei India Services Business Activity Index** rose from 47.8 in February to 50.3. This signalled that business activity stabilised at the end of the quarter, following the decline seen in February. Where an increase was reported, firms commented on an improvement in market demand. Companies that saw reduced activity attributed this to intense competition.

The headline seasonally adjusted **Nikkei India Composite PMI Output Index** rose from 49.7 in February to 50.8 in March, driven by growth in both the manufacturing and service sectors. The index was consistent with a marginal increase in overall output.

March data pointed to a renewed increase in new business placed at Indian service companies in March. Enhanced marketing initiatives and, in some instances, discounts were reported to have underpinned new clients wins.

New business rose across the manufacturing sector for the fifth consecutive month during March. However, the rate of expansion moderated to the slowest in the current sequence, in part reflecting the weakest gain in new export orders since November.

Nikkei India Composite Output PMI



Sources: Nikkei, IHS Markit.

In the service sector, confidence strengthened to the highest recorded since the implementation of the goods and services tax last July. Forecasts of an improvement in demand conditions were cited as the key factor behind optimism.

Outstanding business in India's service sector rose in March. Moreover, the rate of accumulation was marked and accelerated to the fastest since last October. According to panellists, outstanding work increased in tandem with greater volumes of new work and a lack of capacity.

Meanwhile, backlogs reduced in the manufacturing sector, thereby ending a 21-month period of growth. That said, the rate of depletion was fractional.

Reflecting improved demand conditions and pressure on current resources, service providers expanded capacity by raising their staffing levels at the quickest pace since June 2011.

In contrast, manufacturers reduced their staffing levels for the first time in eight months in response to spare operating capacity.

India's service sector firms continued to face higher cost burdens during March. Despite softening from February's three-month high, input cost inflation was marked overall. Inputs such as fuel, food items and gold were reported by panellists as increasing in price over the survey period.

In the manufacturing sector, input cost inflation slowed from February's recent peak but was marked overall.

Indian service providers raised their output charges during March. Where an increase was registered, firms commented on the pass-through of higher cost burdens to clients. However, partly reflecting easing operating expense pressures, output charge inflation softened to the weakest recorded in three months.

Finally, output charges also rose in the manufacturing industry, albeit marginally.

#### **Comment:**

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

*“India’s service activity stabilised at the end of the quarter, underpinned by a renewed rise in new work. Anecdotal evidence highlighted an improvement in demand conditions.*

*“In response to efforts undertaken by the Indian government to formalise the economy, more people are gravitating towards employment as signalled by the latest PMI data. Indeed, job creation accelerated to the quickest since June 2011.*

*“On the price front, despite softening from February’s recent peak, input cost inflation in the service sector was marked overall.*

*“Overall, the decline in activity during February proved to be transitory as India’s overall economy returned to expansion territory in March. Output growth in the manufacturing sector again outperformed the service sector, as has been the case since last autumn.”*

-Ends-



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### **Notes to Editors:**

The Nikkei India Services PMI<sup>®</sup> 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<sup>®</sup> 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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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](mailto:economics@ihsmarkit.com).

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