

Services PMI at 4-month low in July

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India's services sector momentum hit a four-month low as the seasonally adjusted S&P Global India Services PMI Business Activity Index fell from 59.2 in June to 55.5 in July, due to curtailment of demand by competitive pressures, elevated inflation and unfavourable weather, data released on Wednesday said.

The print in June was the highest in 11 years. PMI Services captures sentiment in the services sector.

For the 12th straight month, the services sector witnessed an expansion in output. In Purchasing Managers' Index (PMI) parlance, a print above 50 means expansion while a score below 50 denotes contraction. "The recovery of the Indian service sector lost momentum during July as weaker sales growth and inflationary pressures restricted the latest upturn in business activity. While marketing efforts underpinned another rise in new work intakes, competitive pressures and unfavourable weather dampened demand," said Pollyanna De Lima, Economics Associate at S&P Global Market Intelligence, said in a statement.

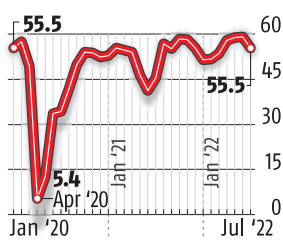
The domestic market remained the key source of sales growth as international demand for Indian services worsened further, the survey said.

Meanwhile, business sentiment in the service economy was subdued in July as only 5 per cent of companies forecast output growth in the year ahead, while a vast majority of firms (94 per cent) predict no change in business activity from present levels.

On the prices front, services companies reported a further increase in their average expenses during July, with food, fuel, materials, staff, retail and transportation cited as the key sources of inflationary pressures. Input



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costs rose sharply, though at the slowest pace in five months.

"The subtle easing in cost inflationary pressures to a five-month low was also welcomed by services firms struggling to preserve margins and contributed to a softer rise in prices charged. Yet, survey participants again reported considerable strain from food, fuel, input, labour, retail and transportation costs," Lima said.

On the jobs front, July data showed a negligible increase in service sector employment across India. The rate of job creation was fractional and broadly similar to June. The vast majority of firms left payroll numbers unchanged amid a lack of need to raise workforces.

Meanwhile, the S&P Global India Composite PMI Output Index — which measures combined services and manufacturing output — fell from 58.2 in June to 56.6, highlighting the slowest increase since March.

"New business growth picked up in the manufacturing industry whilst slowing in the service economy. At the composite level, sales increased sharply but at the weakest pace in four months," the survey said.