

# Services PMI logs fastest rise in 13 yrs

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India's leading services sector experienced major improvement in demand conditions in July, leading to increases in new business and output in over 13 years, said a private survey on Thursday.

The Purchasing Managers' Index (PMI) survey's headline figure, conducted by credit rating agency S&P Global, saw a marked increase to 62.3 in July, up from 58.5 in June.

A reading above 50 in the survey indicates expansion of services activity and a figure below 50 suggests contraction. The headline figure has been in the expansion zone for 23 months straight since August 2021. The survey polled around 400 companies across sectors such as non-retail consumer services, transport, information, communication, finance, insurance, real estate, and business services.

"The upsurge in total new orders was fuelled by a pick-up in international sales. Service providers registered the second swiftest increase in new export orders since the series began in September 2014. Demand for services saw significant improvement in July, reaching its highest level in over 13 years, with approximately 29 per cent of survey participants reporting greater intakes of new business," said the survey. Finance and insurance were the top-performing sectors in terms of business activity and new orders.

Pollyanna De Lima, associate director of economics at S&P Global Market

Intelligence, said the service sector is critical for India's economy. The PMI results for July point to a significant contribution from the sector to the overall GDP for the second fiscal quarter. "The broad-based increases in sales across domestic and international markets are particularly encouraging, especially against the backdrop of a challenging global economic landscape. Firms reported a notable uptick in services exports to several countries, including Bangladesh, Nepal, Sri Lanka, and the UAE," she said.

The survey reported an increase in input costs for Indian service providers, with the rate of inflation accelerating to a 13-month high. Monitored companies signalled increased food, labour, and transportation costs.

"Services firms attempted to shield margins from cost rises by increasing selling charges in July. Nevertheless, output prices rose at the slowest rate in three months. Anecdotal evidence from the survey suggested cautious pricing strategies among firms, aimed at preventing any adverse impact on new business," said the survey.

"Reviewing the PMI price indices, it appears that competitive advantages continue to support demand for services. Increases in output prices were modest compared to many other countries. Despite a slight rise in input cost inflation, service providers continued to exercise caution in their pricing decisions in an effort to not deter sales," said De Lima.