

# Services PMI hits 12-year high of 59.4 in February

Strong demand, easing price pressures amid mild job creation drive index

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The Purchasing Managers' Index (PMI) for India's dominant services sector touched a 12-year high of 59.4 in February, as a survey by the credit rating agency S&P Global released on Friday showed strong demand and easing of price pressures amid mild job creation in the nation.

The Index rose from 57.2 in January to 59.4 in February, its highest since February 2011. The headline figure has been in the expansion zone for the nineteenth consecutive month since August 2021.

A print above 50 in the survey denotes expansion in the sector and below that means a contraction in services activity.

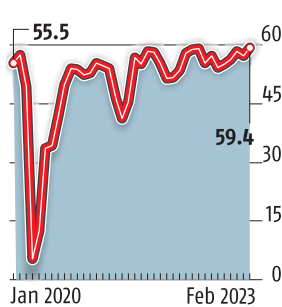
The survey noted that the new orders placed with service providers rose further in February, with several firms suggesting that competitive pricing boosted sales and consumer services was the best-performing area in February, registering the fastest increases in new orders and business activity.

Pollyanna De Lima, economics associate director at S&P Global Market Intelligence, said the Indian service sector more than regained the growth momentum lost in January, posting the sharpest expansion in over a decade as demand resilience and competitive pricing policies underpinned the joint best upturn in sales over the same period.

"Services companies were often able to leave their average fees unchanged amid retreating cost pressures. The latest



## POSITIVE CUES Services PMI



A print above 50 denotes expansion in the sector and below that means a contraction in services activity; Source: S&P global

PMI results showed the slowest increases in input prices and selling charges in 29 and 12 months respectively, with rates of inflation below their long-run averages in both cases," she added.

In the survey, companies commonly cited higher food, material, transportation and wage costs and only 4 per cent of services companies transferred cost increases to their clients, while the vast majority

opted to leave selling prices unchanged.

Although employment increased further in February, stretching the current sequence of expansion to nine months, the rate of job creation was only marginal as the vast majority of survey participants reported no change in staff levels from January. "Despite the strong upturn in new business intakes, service providers noted only mild pressure on their capacities and, as a result, a large proportion of firms left payroll numbers unchanged," said De Lima.

Regarding the outlook for the future, the survey noted that the level of positive sentiment was little changed from January and remained below its long-run average as marketing efforts and forecasts of demand resilience underpinned optimism, but some companies were concerned about competitive pressures and whether sales growth could be maintained.

"It seems that hiring growth was also dampened by a lack

of confidence in the business environment. The degree of optimism recorded in February was the lowest for seven months and below the historical trend as some companies doubted demand would remain this resilient," said De Lima.

The robust expansion in the services sector could fuel hopes for Asia's third-largest economy, whose growth slowed to an annual 4.4 per cent in October-December quarter from 6.3 per cent in July-September, according to the latest quarterly gross domestic product (GDP) estimates, released by the Ministry of Statistics and Programme Implementation (MoSPI) on Tuesday.

The economy witnessed a slowdown as manufacturing output contracted for the second consecutive quarter, and consumer demand slowed on the back of easing pent-up demand. However, the estimates were hopeful that India's GDP could still grow at 7 per cent in the current fiscal year.