

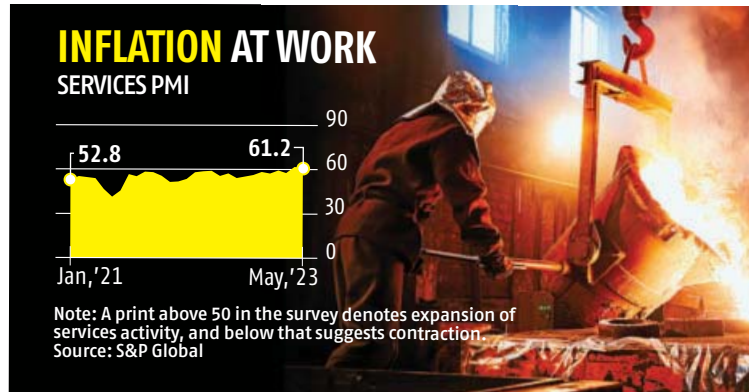
Services PMI in May increases at second-fastest pace in 13 yrs

SHIVA RAJORA
New Delhi, 5 June

Growth in India's dominant services sector declined in May as inflationary pressures intensified in both input costs and output charges, said a private survey on Monday.

The headline figure in the Purchasing Managers' Index (PMI) survey by credit rating agency S&P Global declined marginally to 61.2 in May from its 13-year high of 62 in April. The May services PMI is the second-highest print in under 13 years. A print above 50 in the survey denotes expansion of services activity, and below that suggests contraction. The headline figure has been in the expansion zone for 22 months since August 2021. The PMI is based on the responses of around 400 service companies covering non-retail consumer services, transport, information, communication, finance, insurance, real estate, and business services.

"Output rose at the second-quickest pace since July 2010, supported by sustained growth of new business in the face of positive demand trends. Favourable demand conditions, new client wins and positive market



dynamics reportedly supported output," the survey noted.

The companies the survey monitors reported that external demand for Indian services continued to improve in May, highlighted by a fourth successive rise in new export business and to accommodate for sustained increases in new business, services companies sought to expand operating capacities by hiring extra workers.

Employment rose at a slight rate that was nonetheless the fastest in 2023 so far, the survey said. Pollyanna De Lima, economics associate director at S&P Global Market Intelligence, said the PMI data for May stand as a com-

elling testament to prevailing demand resilience, impressive output growth and job creation within India's dynamic service sector, despite inflationary pressures arising due to rising costs for food, inputs, labour and transportation posing a challenge for service providers.

"Faced with the delicate task of balancing these increases and maintaining affordable prices for consumers, firms opted to lift selling prices again in May. Worryingly, the survey showed the joint-fastest upturn in output charges for nearly six years," she added.

The survey notes that amid rising

cost burdens, firms charged more for their services in May, and a sub-sector split showed the quickest increase in input costs at consumer services companies, whereas transport, information & communication topped the rankings for charge inflation.

"Services companies maintained an upbeat view that business activity would increase over the coming 12 months. Advertising, demand strength and favourable market conditions were among the reasons cited for optimistic forecasts. The overall level of confidence fell slightly from April, however, amid some concerns around competitive pressures," the survey noted.

"While ongoing increases in output charges could erode purchasing power, affect the affordability of services and potentially dampen economic growth, companies could be seeking operational efficiencies and exploring alternative sourcing options to navigate through these challenges," added De Lima.

Earlier last week, the survey by the global rating agency had also found that India's manufacturing PMI in May increased to a 31-month high of 58.7 from 57.2 in April, driven by record expansion in input stocks and a strong increase in new orders and output.