

Services PMI slows down in Aug

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Growth in India's dominant services sector lost some steam in August as the headline Purchasing Managers' Index (PMI) figure fell to 60.1 from a 13-year-high of 62.3 in July as sales slowed down amid a record increase in new export business, said a survey by S&P Global on Tuesday.

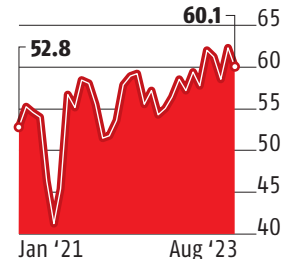
"Total new business increased for the twenty-fifth month in a row during August. Advertising and robust demand for services were among the reasons listed for growth. Although softer than in July, the overall expansion in sales was one of the strongest seen in 13 years," said the credit rating agency.

A reading above 50 in the survey indicates expansion of services activity and a figure below that suggests contraction. The survey polled around 400 companies in non-retail consumer services, transport, information, communication, finance, insurance, real estate, and business services.



THE TREND

PMI services



A reading above 50 indicates expansion, and a figure below that suggests contraction

Source: S&P Global

It noted that despite a downturn in August, the index indicated one of the strongest increases in output seen since mid-2010 as survey respondents mentioned positive consumer appetite, favourable market conditions and successful events as the reason for this growth.

Pollyanna De Lima, economics associate director at S&P Global Market Intelligence, said that Indian services companies achieved a milestone in August, as they clocked a record surge in new

export business. Asia Pacific, Europe, North America and the Middle East contributed to the upturn.

"This spike in international demand supported one of the best sales performances recorded over the past 13 years, and acted as a catalyst for firms to expand their workforces as well as output. Demand strength also fostered a heightened sense of optimism regarding the outlook, boding well for economic growth prospects."

Services firms got new business despite hiking their

charges as the overall rate of output price inflation quickened in August.

"Anecdotal evidence indicated that robust demand conditions facilitated the passing on of cost increases to clients. The overall rate of input price inflation remained above that seen for output charges, despite easing since July. Monitored companies suggested that food, input and labour costs all rose over the course of August," the survey said.

The rate of job creation was moderate as hiring activity across India's service economy continued to expand halfway through the second fiscal quarter as survey participants reported a blend of permanent and temporary staff recruitment on both part- and full-time basis. The survey also mentioned that the monitored companies firmly believed that output would grow in the next 12 months as advertising, demand strength, plans to price competitively and a healthy number of client enquiries all boosted optimism in August.