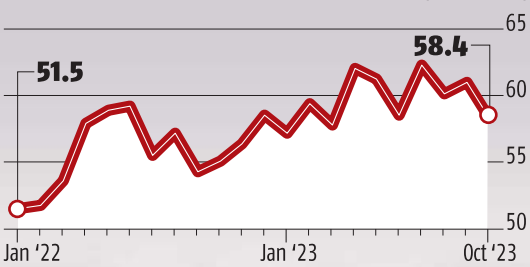


Low demand drags services PMI to 7-mth low in October

LOSING STEAM

Services PMI (in numbers)



A reading above 50 indicates an expansion of the sector and a figure below that suggests a contraction
Source: S&P Global



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New Delhi, 3 November

Growth in India's dominant services sector lost steam in October as the headline Purchasing Managers' Index (PMI) figure fell to a seven-month low of 58.4 from 61 in September, due to tapered demand, price pressures, and competitive conditions, said a survey by S&P Global on Friday.

"Positive demand for Indian services continued to support growth of business activity at the start of the third fiscal quarter (Q3FY24)," the survey said.

"However, rates of expansion softened reportedly due to competitive conditions and price pressures. There were faster increases in input costs and output charges during October, with rates of inflation outpacing their respective long-run averages," the survey by the global credit agency said.

However, the October figure marks 27 months of the index remaining above the 50-mark since July 2021, separating expansion from contraction as a reading above 50 indicates and expansion of the sector and a figure below that suggests a contraction.

The survey polled around 400 companies in non-retail consumer services, transport, information, communication, finance, insurance, real estate, and business services.

The survey further noted that although weakest since May, the rate of growth remained substantial as favourable customer interest and successful advertising induced the increase, anecdotal evidence showed, while fierce competition and subdued demand for certain types of services dampened the overall expansion.

Meanwhile, the October data highlighted the second-fastest upturn in international orders placed with Indian services companies since the series started in September 2014.

Pollyanna De Lima, economics associate director at

S&P Global Market Intelligence, said the Indian service economy continued to register impressive growth, despite the increase in business activity and new work intakes softening from September's over 13-year highs.

"Several companies managed to secure new contracts, but some mentioned subdued demand for their services and competitive conditions. Exports were an area of particular strength in October, with new business gains from Asia, Europe, and the US boosting growth to its second-highest in the series over nine-year history," she added.

Besides, the survey also mentioned that services companies in India reported an increase in their expenses in October due to higher food, fuel, and staff costs.

"Inflationary forces in the Indian service sector intensified, primarily as a result of surging food, fuel, and staff costs. Although survey participants passed these additional cost burdens on to clients, permitted by demand strength, the rise in charges could have been the trigger of the deceleration in sales growth," De Lima added.

On the employment front, findings indicate that robust demand for services continued to stimulate hiring activity, however, the rate of job creation lost steam as the latest rise was the slowest in three months.

"Capacity pressures at Indian service providers remained mild in October, as highlighted by a slight uptick in outstanding business volumes. The pace of accumulation was broadly aligned with its historical trend," the survey notes.

The cool down in the services sector comes a day after heightened cost pressures and a decline in demand in the consumer goods sub-sector saw manufacturing activity fall to an eight-month low in October, as the manufacturing PMI fell for the second consecutive month to 55.5 in October from 57.5 in September.