

Services PMI at 3-month high of 56.4 in November

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India's services activity recovered to a three-month high in November as services firms benefited from accommodative demand. New business inflows rose markedly and at the quickest pace in the last three months.

The Purchasing Managers' Index (PMI) for the services sector released by credit rating agency S&P Global improved to 56.4 in November from 55.1 in October, as the survey showed an expansion in output and job creation.

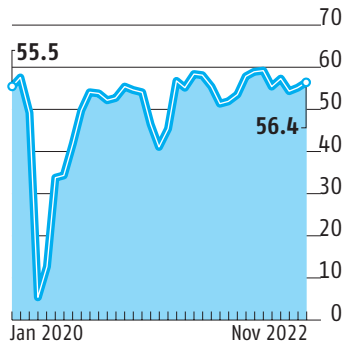
A print above 50 in the survey denotes expansion. Below that suggests a contraction in services activity. The headline figure has been in the expansion zone for the sixteenth consecutive month since August 2021. New orders placed

with service providers in India rose for the sixteenth consecutive month in November. The expansion rate was the fastest since August, as sales were boosted by favourable underlying demand and fruitful advertising.

Pollyanna De Lima, economics associate director at S&P Global Market Intelligence, said the Indian services providers continued to reap the benefits of strong domestic demand. "Moreover, expectations of demand buoyancy in the medium-term promoted further job creation," she added. November also saw the first upturn in new business from abroad since the



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Source: S&P Global

onset of the pandemic in early 2020, as there was a rise in total new orders, supported by a renewed increase in international sales. However, the overall rate of expansion was mild, the survey noted.

Besides, the survey also noted a substantial increase in input costs, the second-fastest since July, which underpinned the strongest upturn in selling charges. Services companies across India reported higher operating expenses midway through the third fiscal quarter. In addition to greater transportation costs, firms reported higher prices for energy, food, packaging, paper, plastic and electrical products, as the overall rate of inflation was marked and above its long-run average, which led to an increase in the prices charged for the provision of services in November.

"Whilst on the whole the latest results are encouraging, the trend for inflation is somewhat concerning. Strong demand for services again boosted firms' pricing power, with more companies transferring cost increases to their customers. The overall upturn in input costs was sharp and little-changed from October, while output charges rose at the quickest rate in over five years", De Lima adds.

Earlier this month, PMI manufacturing for November also showed a slight recovery amid an increase in new orders and production and a slowdown in inflation.