

Services PMI hits 10-month low as demand cools

SHIVA RAJORA

New Delhi, 4 October

Growth in India's dominant services sector declined to a 10-month low in September on the back of a slowdown in demand as new business, international sales, and output all rose at their slowest rates since late 2023, according to a private business survey released on Friday.

The headline Purchasing Managers' Index (PMI), compiled by S&P Global and released by HSBC, dropped to 57.7 in September from 60.9 in August. The index, however, remained above the neutral 50 mark, which separates contraction from expansion, for the 38th straight month.

"Among the main positive outcomes seen in September were solid job creation, strengthening business confidence, and the weakest uptick in selling prices in over two-and-a-half years," the survey added.

The survey noted that several panellists attributed the rise in output to new business gains, positive demand trends, and investment in technology, though growth was curbed by fierce competition, cost pressures, and changes in consumer preference, such as switching to online services.

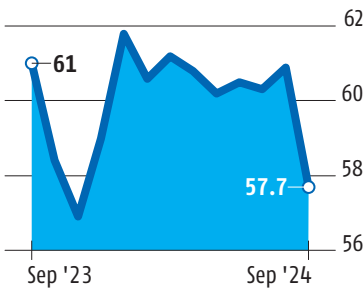
New business intakes continued to expand sharply at the end of the second quarter, but the pace of growth hit a 10-month low. Where an increase was noted, survey participants remarked on healthy demand conditions. Those that experienced challenges commented on fresh entrants and greater competition.

Pranjul Bhandari, chief India economist at HSBC, said the services PMI data indicated a slower pace of expansion in September, with the new business index following a similar trajectory as the headline figure. This suggests



LOSING MOMENTUM

Services PMI



PMI is in points. A print above 50 denotes expansion, while one below it indicates contraction
Source: HSBC

the possibility of softer output growth in the coming months. "Services firms' margins have likely been squeezed further, as prices charged rose at a slower pace when input cost inflation intensified. A long period of robust new business growth has led to strong labour demand," she added.

On the export front, new orders rose and the rate of expansion moderated to the weakest in 2024 so far. "Still, some firms noted gains from Asia, Europe, North America, West Asia, and the US," the survey noted.