

Services PMI in Oct bounces back from 10-mth low

SHIVA RAJORA

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Growth in India's dominant services industry picked up last month after dipping to a 10-month low rate in September amid a marked expansion in demand, according to a private business survey that on Wednesday also reported improved job creation in the sector.

The headline Purchasing Managers' Index (PMI) figure, released by HSBC and compiled by S&P Global, improved to 58.5 in October from 57.7 in September. The index has been above the neutral 50-mark that separates contraction from expansion for the 39 months straight.

"Participants commonly cited healthy customer demand domestically and from abroad," said the survey.

New export sales grew across India's service economy, with survey respondents attributing the growth to demand from clients in Africa, Asia, the Americas, the West Asia and the United Kingdom.

The survey said that in response to better sales and optimism, companies recruited extra workers to the "greatest degree" in just over two years. "Around 13 per cent of panellists reported job creation, compared to 9 per cent in September. Anecdotal evidence showed that a sustained improvement in new business induced firms to hire full- and part-time workers. Underlying data indicated that capacity pressures also boosted job creation."

Input costs in October increased at the strongest pace in three months as higher business expenses – attributed to rising wage bills and food costs – were passed on to clients.

"The overall rate of inflation remained below its long-run average, however. Out of the four monitored sub-sectors, cost pressures were highest in consumer services."

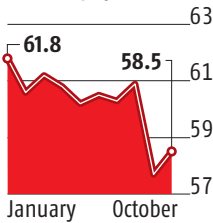
Pranjul Bhandari, chief India economist at HSBC, said the services sector in October experienced strong expansion in output and consumer demand. Job creation achieved a 26-month high.

"Although input price inflation is accelerating from higher food and wage costs, the general inflation trajectory remains below the long-run average. Meanwhile, business sentiment receded slightly from September, but the future activity index still indicates broadly positive expectations for the year ahead," she said.



GAINING MOMENTUM

PMI in 2024



Source: HSBC