

Strongest expansion since Dec: Services sector PMI rises to 53.6 in Mar

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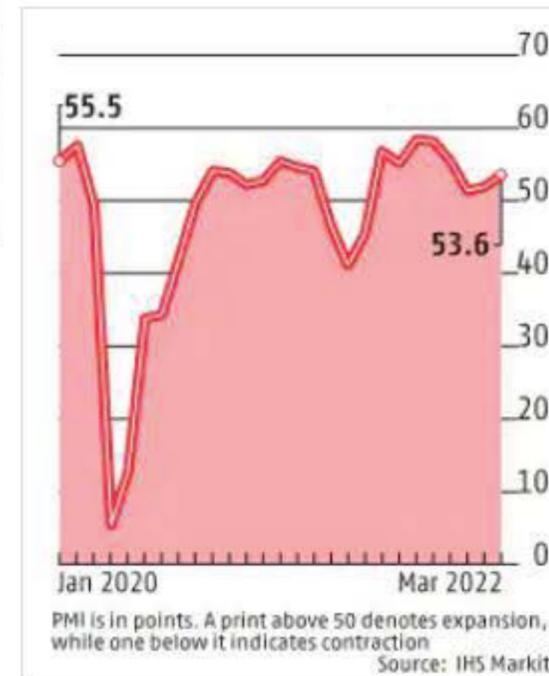
India's services activity in March witnessed the strongest rate of expansion since December, after a substantial slowdown in growth at the beginning of the year due to a new wave of the pandemic, a private survey said.

Business confidence, however, remained subdued due to inflationary pressures, with input costs increasing at the sharpest pace in 11 years at the end of fiscal 2021-22.

This comes amid the Russian invasion of Ukraine. Companies mostly absorbed additional cost burdens and raised their charges only moderately.

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A print above 50 is considered expansion in manufacturing activity while below 50 is considered contraction. India's manufacturing PMI moderated in March as companies said production expanded slowly and new export orders declined.



“Underlying data indicated that the domestic market was the key source of sales growth, as new business from abroad fell further. Moreover, the contraction in new export orders was sharp and the fastest since last September, the firm said. On the price front, service providers reported a further increase in their operating expenses. Overall, the cost inflation rate was sharp and the strongest since March 2011.

Survey participants mentioned higher chemical fuel, raw material, retail, transportation and vegetable prices, it said.

Pollyanna De Lima, economics associate director at IHS Markit, said the war in Ukraine has exacerbated lingering issues in supply chain, triggering a reacceleration in inflation across the Indian services economy. “Buoyed by the relaxation in Covid-19 restrictions, consumers were eager to go out and spend. Service providers recorded the fastest uptick in new business in 2022 so far, with an equal outcome seen for business activity,” De Lima said.

“Sales were somewhat supported by only mild adjustments to output charges. However, consumers are likely to face soaring prices in the coming months as rising cost burdens feed through to services charges,” she said.

“Inflation risks continued to curb business optimism regarding growth prospects, with sentiment among services companies remaining subdued by historical standards. This lack of confidence in outlook also meant that employment continued to fall in March,” she said.

While companies passed part of their additional cost burden on to consumers by raising output prices, the overall rate of charge inflation was moderate and broadly in line with its long-run average.