

Services sector posts fastest rise in a year in February

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NEW DELHI: Activity in the country's key services sector rose at its fastest in a year in February on the back of new orders while the Covid-19 vaccine rollout triggered optimum for faster expansion, a survey showed on Wednesday.

Rising from 52.8 in January to 55.3 in February, the India Services Business Activity Index pointed to the sharpest rate of expansion in output in one year.

Hard-hit services sector recovering gradually

This was the fifth consecutive month when the index has remained above the 50-point mark which separates expansion from contraction. Survey participants attributed the upturn to improved demand and more favourable market conditions.

The IHS Markit India Services PMI is compiled from responses to questionnaires sent to a panel of around 400 service sector companies. The sectors covered include consumer (excluding retail), transport, information, communication, finance, insurance, real estate and business services.

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The numbers will provide cheer to businesses as well as the government since services was seen to be slow in recovering from the impact of Covid as people were avoiding venturing out. The services sector which includes hotels, restaurants, hospitality and tourism had been hit hard by the Covid-19 induced lockdown.

As the economy opened up, the sector has started scripting a slow recovery. The overall economy which plugged to a record

low of 24.4% in the June quarter of the current fiscal year has also recovered sharply and posted a 0.4% increase in the December quarter. While the economy is expected to contract by 8% in 2020-21, several estimates show that it will stage a sharp rebound in 2021-22. The International Monetary Fund forecasts the economy to grow by 11.5% in 2021-22 to emerge as the fastest growing major economy in the world.

“The February PMI data showed a solid growth performance for the Indian service sector which, alongside a robust upturn in manufacturing production, pushed up the Composite Output PMI to a four-month high,” said Pollyanna De Lima, Economics associate director at IHS Markit.

“Economic activity is generally expected to recover in the final quarter of fiscal year 2020-21 after coming out of technical recession in Q3, and the latest improvement in the PMI indicators points to a strong expansion in the fourth quarter should growth momentum be sustained in March,” said De Lima.

The survey showed that employment declined for the third month in a row and companies noted the sharpest rise in overall expenses for eight years. New work intakes expanded for the fifth straight month, and at the fastest pace over this sequence. According to companies, marketing efforts and increases in new clients led to sales growth. Panellists continued to indicate that the Covid-19 pandemic and travel restrictions curbed international demand for their services. New export orders declined for the twelfth month but at the weakest rate since last March, the survey showed.

“Hopes that the Covid-19 vaccine programme will be successful in reducing case numbers across the country underpinned positive expectations towards growth prospects. The overall degree of optimism regarding the 12-month outlook for business activity strengthened to a one-year high,” according to the survey.