

Service sector activity gains steam, job growth rise max in 14 years

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NEW DELHI: Activity in the country's crucial services sector remained robust in August on the back of new business while employment witnessed the sharpest rise in 14 years, a survey showed on Monday. Rising from July's four-month low of 55.5 to 57.2 in August, the S&P Global India Services PMI Business Activity index highlighted a rebound in growth. The upturn was attributed to stronger gains in new business, ongoing improvements in demand, job creation and overtime work. The survey is compiled from responses to questionnaires sent to a panel of around 400 service sector companies.

The Covid-19 pandemic had sharply hurt the service sector and led to massive job losses as businesses closed down. Since the lifting of curbs, the sector has rebounded as economic activity gathered momentum.

Growth is expected to be in the 7-7% range in the current fiscal year although inflation and the global economic slowdown have emerged as key risks to faster expansion.

Amid reports of favourable demand conditions and successful advertising, there was a further increase in new business placed with services firms during August. The rate of expansion was sharp and quickened from July. Services companies expect output growth over the coming 12 months, with sentiment rising to its highest level in over four years. Optimism was centred on forecasts of ongoing improvements in demand and planned marketing. At the sub-sector level, there were quicker increases in new business and output in transport, information and communication and finance and insurance, the survey results showed.

"Finance and insurance was the brightest area of the service economy in August, leading with regards to growth of sales and output. As for input cost inflation, Consumer Services topped the sector rankings but it was in Transport, Information & Communication that the fastest rise in selling prices was recorded." said Pollyanna De Lima, economics associate director at S&P Global Market Intelligence.

The combination of strong sales and upbeat growth projections underpinned a substantial increase in payroll numbers across the service sector. The rate of job creation picked up to the strongest in over 14 years. Employment trends improved in each of the four monitored sub-sectors, according to the survey.