

India services PMI falls for third straight month in April

Indian services growth eased dramatically during April as new orders came in at a much slower pace, prompting firms to rein in hiring plans, a business survey showed on Monday.

The HSBC Services Purchasing Managers' Index, based on a survey of around 400 companies, fell to 50.7 last month, its lowest since October 2011 and the weakest reading in the current expansion cycle. The index had stood at 51.4 in March.

It was the third straight month of decline, and took the index dangerously close to the 50 mark that separates growth from contraction.

Services make up almost 60 per cent of Asia's third largest economy and a slowdown does not augur well for the country, coming after data last week showed manufacturing activity also lost steam.

The new business index, which rose to an 18-month high in January, fell for the third straight month to 52.6, its lowest since November 2011, from 53.3 in March.

"Activity in the service sector decelerated further in April led by slower growth in new business. This led to a slowdown in employment growth," said Leif Eskesen, economist at survey sponsor HSBC.

Strong overseas demand for Indian services has taken a hit from the ongoing downturn in the euro zone, its main trading partner, which could add to exporters' problems and slow new outsourcing deals for Indian software companies.

Indeed, firms were less optimistic about the future in April, with the business expectations index falling from March's three month high.

A similar survey last week showed India's factories lost momentum in April as output grew at its weakest pace in over four years.

The PMI services survey showed costs rose at a slower pace during April. Coupled with easing price growth for factories the survey suggests inflation will likely ease further.

"Inflation pressures eased further, which has allowed the RBI to focus more on growth risks," added Eskesen.

Easing inflation gave the Reserve Bank of India space to cut interest rates on Friday by a quarter point for the third time since January but it said there is little room for further policy easing.

However, investors were hoping for more aggressive easing and a less hawkish tone from Governor Duvvuri Subbarao to revive a moribund economy that likely grew around 5 percent in the fiscal year that ended in March, its weakest in a decade.

(Economic Times)