

Services PMI contracts for first time in 20 months

After the manufacturing sector barely showed any growth, services - India's largest sector - contracted in July, according to the widely-traced HSBC Purchasing Managers' Index (PMI) released today.

The services PMI contracted first time in 20 months to 47.9 points in July from 51.7 points in the previous month. A reading above 50 points indicates growth, while that below 50 signifies a contraction in the sector.

According to data released last week, Manufacturing PMI managed to stay afloat the growth line as it fell to 50.1 points in July from 50.3 points in June.

As a result of poor performance by both manufacturing and services sectors, the Composite PMI - considering both manufacturing and services - also contracted to 48.4 points in July from 50.9 points in June this year.

According to Markit Economics, a financial firm which compiles the data, transport and storage and renting and business activities were a let down as they were the "main drivers of the overall decline."

"Activity in the service sector contracted in July led by a drop in new business, which also led to a decline in optimism among the surveyed companies", said Lief Eskesen, HSBC chief economist for India and ASEAN.

New orders placed at private sector firms fell for the first time since April 2009, due to increasingly fragile economy.

"Manufacturing and services companies both signaled lower volumes of incoming new work, with the rate of contraction faster in services", said Markit Economics.

However, in the services sector, there was an easing inflationary pressure reported among the surveyed companies.

"Whereas the rate of charge inflation in the manufacturing sector accelerated to the quickest since February, prices charged by service providers rose at the slowest pace in the current 33-month inflationary sequence", added the financial firm.

Firms were skeptical of the current economic conditions and the fragile state of the Indian economy.

Month	Services PMI (in points)
Oct-11	49.1
Nov-11	53.2
Dec-11	54.2
Jan-12	58
Feb-12	56.5
Mar-12	52.3
Apr-12	52.8
May-12	54.7
Jun-12	54.3
Jul-12	54.2
Aug-12	55
Sep-12	55.8
Oct-12	53.8
Nov-12	53.1
Dec-12	55.6
Jan-13	57.5
Feb-13	54.2
Mar-13	51.4
Apr-13	50.7
May-13	53.6
Jun-13	51.7
July-13	47.9
<i>Source: Markiteconomics</i>	

(Business Standard)