

# SERVICES SECTOR REBOUNDS

## BUSINESSES RECOVER FROM DEMONETISATION-LED DISRUPTIONS SEEN IN PREVIOUS THREE MONTHS

PRESS TRUST OF INDIA  
New Delhi, 3 March

The services sector rebounded in February ~ for the first time since October ~ as businesses recovered from the demonetisation-led disruptions seen in the previous three months, a monthly survey showed today.

The Nikkei India Services Purchasing Managers' Index (PMI), which tracks services sector firms on a monthly basis, stood at 50.3 in February, up from 48.7 registered in January.

After slipping to a near three-year low last November, signalling the first monthly drop in output since June 2015, the headline index edged above the 50.0 mark, that separates expansion from contraction.

"The upturn in services activity follows news from the sister PMI survey showing factory production


growing for the second straight month in February," Ms Pollyanna De Lima, economist at IHS Markit and also the author of the report, said.

However, the year-ahead outlook for the services sector remained subdued. The survey participants were less optimistic about the 12-month outlook as firms were concerned about market competition and this muted sentiments were reflected in the payroll numbers as services companies continued to reduce staff numbers.

"It is still too early to state that expansion rates will climb to their trend levels in the near term. Companies remain reluctant to take on additional staff and confidence towards the 12-month outlook for output dipped to its second-lowest mark in over one year," Ms Lima said, adding that these fac-

### CAUTIOUS OPTIMISM

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**POLLYANNA DE LIMA,**  
ECONOMIST AT IHS MARKIT

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tors indicate that, so far, firms are doubtful about the sustainability of the economic recovery.

Meanwhile, the Nikkei India Composite PMI Output Index ~ that maps both

the manufacturing as well as services sector ~ rose from 49.4 in January to 50.7, pointing to the first increase in private sector activity across India since last October.

"With demand conditions strengthening in India, new business inflows rose in both sectors, leading to the first increases in private sector new work orders and output since October 2016.

Nevertheless, growth rates were mild and far from their historical averages," Ms Lima added.

On the prices front, input cost inflation accelerated and service providers also raised their charges so much so that "the increase in output charges was the first in five months and the most pronounced since mid-2016", the survey said.

The increase in prices may spoil the case for any immediate interest rate cut by the Reserve Bank of India

The Reserve Bank, in its policy review meet on 8 February, kept key interest rate unchanged at 6.25 per cent and said it was awaiting more clarity on the inflation trend and impact of demonetisation on growth.

The next meeting of the monetary policy committee of the RBI is scheduled for 5-6 April 2017.