

## **India services sector growth cools sharply in February as prices rise**

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Growth in India's services industry slowed sharply in February as rising prices lead to a slight deceleration in demand, a business survey showed on Thursday.

The Nikkei/Markit Services Purchasing Managers' Index (PMI) sank to 51.4 in February from January's 54.3, but chalked up its eighth straight month above the 50-level that distinguishes growth from contraction.

"Demand conditions in the country appear to be weak, as indicated by lackluster increases in new orders," said Pollyanna De Lima, economist at Markit.

Customers may have been deterred by prices rising at their fastest rate in eight months as firms passed on higher input costs. The sub-index for new orders - a proxy for domestic and foreign demand - dropped to 51.3 in February from 54.1.

Companies also reported stronger competition for new work.

Indian inflation was already at a 17-month high of 5.69% in January, above the Reserve Bank of India's 5% target for March 2017.

As the government is set to hike salaries later this year, price pressures are likely to pick up.

That suggests the Reserve Bank of India will be less dovish this year, although with the government sticking to its fiscal deficit target in the latest budget, the RBI could deliver another 25 basis points cut in the second quarter to boost economic growth.