

Even though the economy grew the fastest in seven quarters during the January-March period, services activities of the private sector failed to put up an impressive show.

The widely-tracked [Nikkei](#) purchasing managers' index (PMI) for services fell below the 50-point mark, indicating a fall in activities for the second time in four months in May.

This also had repercussions in the job markets as hiring grew the slowest this year in May. Interest rates of the [services sector](#) firmed up due to oil prices, a signal that could be accounted for by the [Reserve Bank of India](#) (RBI) in its monetary review on Wednesday.

[PMI](#) for services fell to 49.6 in May from 51.4 in April as new business orders stagnated and cost pressures intensified.

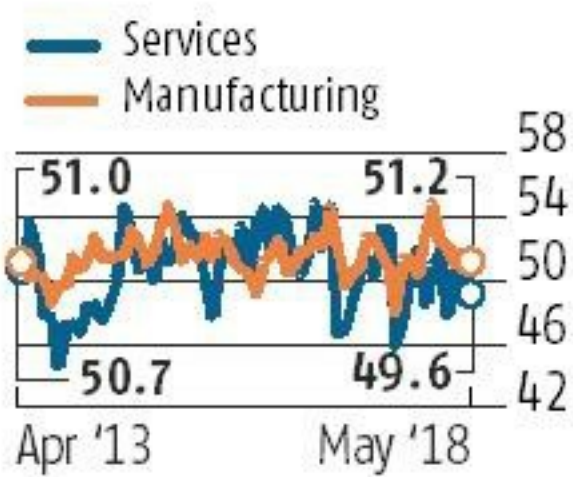
However, a “bright spot” was that business sentiment was the strongest since January 2015, rooted in expectations of improvements in demand conditions in the year ahead.

The index had last slipped below the 50-point mark in February.

“Performance of the [services sector](#) was disappointing in May, as output dipped into contraction,” said Aashna Dodhia, economist at IHS Markit, and author of the report.

As per the survey, competitive demand conditions and a broad stagnation in new orders were the key factors behind a decline in output across the [services sector](#) in May.

# LOSING STEAM



Note : A figure above 50 means expansion while below that means contraction  
Source : IHS Markit

“In May, India saw the slowest improvement in the health of the economy since February, while the latest survey showed the effects of higher global oil prices as the private sector recorded the most marked input cost inflation for three months,” Dodhia added.

The index reflected the overall weakness in the services sector, shown in even the [GDP data](#). Within the services sector, only government-backed public administration, defence and other services showed improvement in growth during the fourth quarter of 2017-18 as compared to the third quarter of the year. For instance, the beleaguered financial, real estate and professional services grew by five per cent in Q4 against 6.9 per cent in Q3. Trade, hotels, transport and communication as well as services expanded 6.8 per cent against 8.5 per cent.

On the employment front, the slowdown in services activity fed into the labour market, as jobs growth moderated from April's seven-year high.

The headline seasonally adjusted [Nikkei](#) India Composite [PMI](#) Output Index – that maps both the manufacturing and the services sector – fell from 51.9 in April to 50.4 in May.