

5. IHS Markit India Services Business Activity Index

Prelims Syllabus: Economics - Industries

Mains Syllabus: GS-III Effects of Liberalization on the Economy, Changes in Industrial Policy and their effects on Industrial Growth.

Why in News?

- The IHS Markit India Services Business Activity Index (i.e Service Purchasing Managers' Index (PMI)) has registered a fall in the month of March.

Key Points:

- The Index registered 49.3 in March, down from February's 85-month high of 57.5.
- In PMI parlance, a print above 50 means expansion, while a score below that denotes contraction. The fall implies contraction in India's services sector activity during March basically due to COVID-19.
- The COVID-19 pandemic has reduced demand, particularly in overseas markets. Nationwide store closures and prohibition to leave the house weighed heavily on the services economy.

Composite PMI Output Index:

- The Composite PMI Output Index that maps both the manufacturing and services sector also fell to 50.6 in March, down 7 points from February's 57.6.
- This signals a sharp slowdown in private sector output growth and brought an abrupt end to the recent strong upward-moving Expansion Trend.

What is Purchasing Managers' Index:

- The Index is compiled by IHS Markit for more than 40 economies worldwide.
- IHS Markit is a global leader in information, analytics and solutions for the major industries and markets that drive economies worldwide.
- PMI is an index of the prevailing direction of economic trends in the manufacturing and service sectors.
- It consists of a diffusion index that summarizes whether market conditions, as viewed by purchasing managers, are expanding, staying the same, or contracting.
- The purpose of the PMI is to provide information about current and future business conditions to company decision makers, analysts, and Investors.