

## **CONTRACTING SERVICES AND MANUFACTURING PMI WILL IMPACT ECONOMY IN MEDIUM TERM**

The Services PMI for the month of December 2016 show contraction to 46.8. The services sector contracted for the second month in a row. This has followed a contraction in manufacturing PMI in December 2016.

The demonetization in November followed by severe cash shortage continues to trouble economy in short to medium term. The contraction in services sector was severe in hotels and restaurants sector, since they are primarily cash dependent business. Evidently there was also a sharp fall in buying levels especially in consumer and intermediary goods.

The slowdown in manufacturing along with services sector further indicate that GDP growth in third quarter may come down and may drag the final GDP numbers. There is also a marked slowdown in new investments in corporate sector. The proposals for new investments are nearly halved to Rs. 1.25 lakh crore in the last quarter as compared to an average of Rs. 2.36 lakh crore per quarter in the preceding nine quarters. Demonetization is further impacting MSMEs and related trade communities. This shall ultimately result in joblessness.

Against this backdrop, AIAI strongly urges the Government to take necessary steps to address concerns over bleak business scenario in his forthcoming budget. The Budget should take necessary steps to instill confidence in business community by providing taxation relief and further incentivize businesses in this challenging environment. It should reduce multiplicity of taxes, redundant rules and regulations. The businesses are looking forward to ease of doing business by having minimum laws and better governance.