

Press Release

PMI ends on a strong note in FY24

Buoyancy in both manufacturing and services augur well for FY25

April 8, 2024

India Manufacturing PMI (Purchasing Managers' Index) witnessed a sharp uptick to from 56.9 in Feb-24 to 59.1 in Mar-24, a 16 year high print. Further, PMI Services index also saw a moderate rise to 61.2 in Mar-24 from 60.6 in Feb-24. Consequently, the PMI Composite index moved up from 60.6 to 61.8, almost close to the high reached in Jul-23. The overall buoyancy in both the manufacturing and the services sector in FY24 is clearly evident from the fact that the composite index remained well above the level of 60.0 in eight months of the year.

Manufacturing Sector

The index print for PMI Mfg in March-24 has been significantly above that in Feb-24 and Mar-23. The increased momentum of manufacturing activity in the fourth quarter is also highlighted from the average PMI of 57.5 from a relatively moderate 55.5 in the previous quarter. The reading of 59.1 in Mar-24 is also well above the average of the index value (57.2) for the whole of FY24, indicating the likelihood of a fresh impetus to the manufacturing sector in the new fiscal year.

India's manufacturing industry has been supported by the increase in output and new orders. The upswing in manufacturing output, driven by the increase in the export sales to Africa, Asia, US, and Europe along with the higher job opportunities, helped the PMI Mfg to hit a 16 year high. Higher growth volume was driven by the momentum in intermediate, investment goods and consumer sectors, improved operating conditions and buoyant demand conditions.

On the price front, input price inflation reached a five month high amid the increase in the cost of the raw materials, while output cost inflation eased to the weakest over a year. The pricing pressures were higher for inputs like cotton, steel, and plastics. While the March survey data indicates that the overall level of sentiment remained uplifted it also reflects the ongoing inflation concerns. Nevertheless, with the increasing demand and new enquiries, the outlook remains optimistic for the manufacturing sector in FY25.

Services Sector

PMI Services in the month of March was driven by the demand growth, both domestically and internationally. The average index print in the fourth quarter has been the highest in FY24 at 61.2, highlighting the largely steady momentum in the services sector, particularly exports.

The index saw the strongest ever growth rates in over thirteen and half years in March. According to the survey, business activity increased across all parts of the services sector. Healthy demand environment, efficiency gains and growth in the export business contributed to the positive trajectory in the services sector. While the finance

and insurance services topped the ranking in both the output and sales along with output inflation, the consumer services witnessed the highest rate of input cost inflation. Business sentiments are positive as the firms expects the demand trends to remain optimistic and favourable despite competitive pressures.

Says **Suman Chowdhury, Chief Economist and Head – Research, Acuité Ratings & Research** “PMI indices for both manufacturing and services have been among those high frequency indicators that have been largely consistent with the robust GDP data published by NSO for FY24. While the PMI Manufacturing index has reached a 16 year high, PMI Services index has also climbed to one of its highest levels in Mar-24, reflecting the robust momentum in both the sectors after a brief weakness in Q3FY24. It also appears that the growth in these sectors has become relatively more broad based than that in the beginning of FY24. This raises the likelihood of a good start to the growth trajectory in FY25 which is projected to be 7.0% by RBI and 6.7% by Acuité Ratings. However, there are some early signals of input cost inflation which may push up wholesale inflation and provide resistance to any further moderation to CPI inflation in the current fiscal.”

Chart 1: Bullish trajectory for PMI Manufacturing and Services in Q4FY24

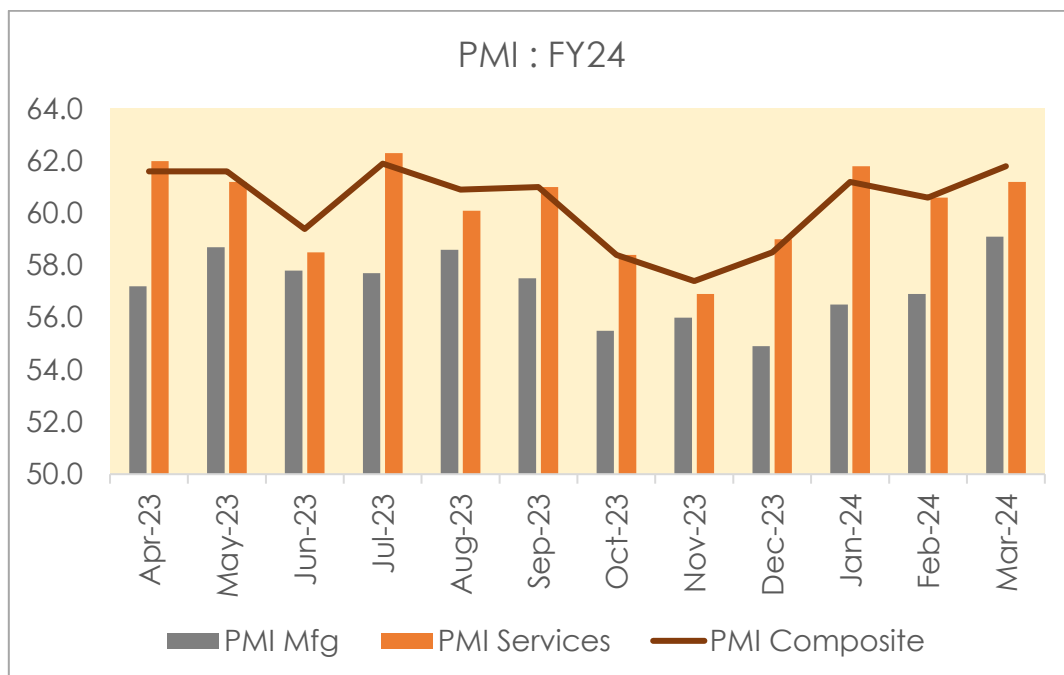


Table 1: PMI Indices Heatmap: Mar'23 to Mar'24

Month	PMI Mfg	PMI Services	PMI Composite
Mar-23	56.4	57.8	58.4
Apr-23	57.2	62.0	61.6
May-23	58.7	61.2	61.6
Jun-23	57.8	58.5	59.4
Jul-23	57.7	62.3	61.9
Aug-23	58.6	60.1	60.9
Sep-23	57.5	61.0	61.0
Oct-23	55.5	58.4	58.4
Nov-23	56.0	56.9	57.4
Dec-23	54.9	59.0	58.5
Jan-24	56.5	61.8	61.2
Feb-24	56.9	60.6	60.6
Mar-24	59.1	61.2	61.8

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