Press Release

PMIs yet to provide clarity on growth recovery

Manufacturing PMI slips further while Services PMI rises sequentially

January 6, 2025

India PMI indices in December 2024 reveal a mixed picture on the economic activity front. Manufacturing PMI fell slightly on a sequential basis to 56.4, driven by softer demand despite the easing of input costs. In contrast, Services PMI rose sequentially to 59.3, driven by healthy demand in both domestic and international markets. The composite PMI rose marginally to 59.2, reflecting overall economic resilience and growth, largely backed by the services sector.

Manufacturing Sector – India's Manufacturing PMI for December 2024 grew at the weakest pace for the calendar year, with a PMI of 56.4, only slightly below November's 56.5. This has been the lowest print in Manufacturing since Jan'2024. Nevertheless, it was still above the long-term average of 54.1. The sequential slowdown was marked by softer increases in output, new orders, and purchase of stocks. Encouragingly, export orders grew at the fastest pace since July, highlighting some possible revival in international demand.

While the container, material and labour costs have been rising since November, overall cost pressures eased for manufacturers. However, selling prices continued to remain firm. Employment in the sector grew for the tenth consecutive month, with December marking the fastest rate of job creation in four months. Approximately 10% of firms added to their workforce, driven by a need to meet production demands. Meanwhile, input inventories expanded modestly, but post-production inventories saw a sharp contraction due to strong sales, the quickest decline in seven months. While the pace of growth for factory output and new orders slowed, manufacturers remained proactive, increasing input purchases and maintaining hiring levels. Competition and inflationary pressures were the main constraints to more robust performance.

Despite the moderation in monthly growth, manufacturers expressed confidence in the outlook for 2025. Expectations of favourable demand, coupled with advertising and investment plans, underpinned this optimism. Concerns about competitive pressures and potential inflation still tempered this sentiment, but overall domestic resilience and improving export dynamics buoyed it.

Service Sector – The Services PMI rose to 59.3 in December from 58.4 in November, the strongest expansion in four months. This growth was mainly driven by sustained demand, with new business inflows increasing for the 41st consecutive month and reaching their highest growth since August 2024.

Cost pressures showed signs of easing as input cost inflation softened compared to November's 15-month high. However, companies continued to face higher expenses for food, labour, and materials. This moderated inflation translated into a slower rise in selling prices, helping to sustain strong business sentiment across the sector. The service providers maintained their optimism for 2025, supported by expanded capacities, new customer inquiries, and an increased budget for marketing.

Employment trends remained positive, with job creation continuing across the service sector. While the rate of employment growth slightly decreased from November, it remained among the strongest recorded since data collection began in 2005. The growth of new orders also led to increased pressure on capacities, with outstanding business volumes rising at their fastest rate in seven months. International orders also increased in December, although the rate of growth was slower than in previous months.

The outlook for India's service industry remains optimistic as companies continue with capacity expansions, increasing marketing investments as healthy demand fuels the sector. With the manufacturing sector of the economy seeing a slight slump, the services will remain vital for the overall economic momentum in the final quarter.

Composite PMI – The composite PMI rose to 59.2 in December, up from 58.6 in November. This growth was primarily driven by the services sector, as manufacturing growth has seen some pressure. While job creation was stronger in services, overall employment growth moderated. Input cost inflation eased in the private sector, with a slower rise in prices for goods and services.

Says **Suman Chowdhury, Chief Economist and Executive Director, Acuité Ratings & Research,** "PMI indices in Dec'2024 hasn't provided any confidence on the growth uptick expected in the second half of the fiscal year. The average PMI Mfg print in Q3FY25 stood at 56.8 vs 57.4 in Q2FY25, belying the hope of any significant pickup in the manufacturing sector in the third quarter. While the Services PMI improved in Dec'2024, the quarterly average is lower than that in the previous quarter. We had downgraded the GDP growth forecast for FY25 to 6.4% after the release of Q2 GDP data but downside risks still persist."

Chart 1: PMI indices for December 2024

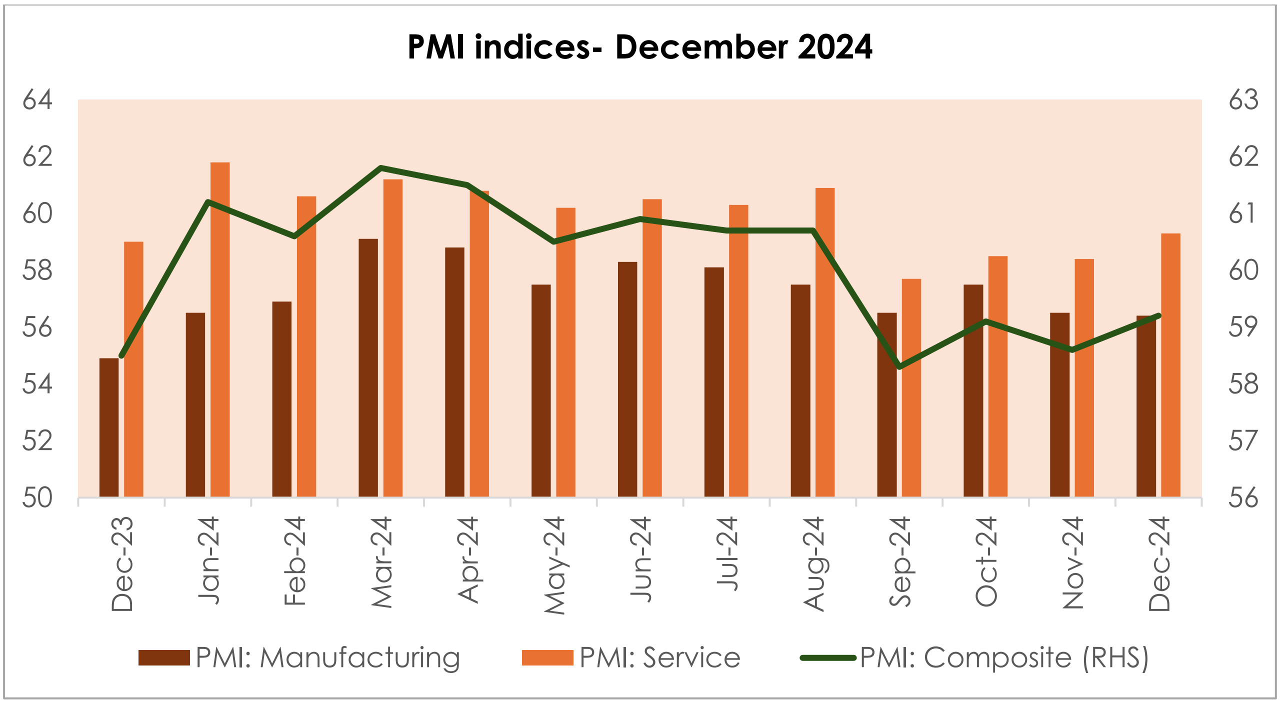

Table 1: PMI Indices Heatmap: Dec'23 to Dec'24

Month	PMI: Manufacturing	PMI: Service	PMI: Composite
Dec-23	54.9	59	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
Apr-24	58.8	60.8	61.5
May-24	57.5	60.2	60.5
Jun-24	58.3	60.5	60.9
Jul-24	58.1	60.3	60.7
Aug-24	57.5	60.9	60.7
Sep-24	56.5	57.7	58.3
Oct-24	57.5	58.5	59.1
Nov-24	56.5	58.4	58.6
Dec-24	56.4	59.3	59.2

About Acuité Ratings & Research Limited:

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