Press Release

PMI Indices: Steady but not Robust

Weaker manufacturing but stronger services

March 5, 2025

India's manufacturing sector slowed to a 14-month low in Feb'25, with the PMI dropping to 56.3 from 57.7 in Jan'25, reflecting weaker growth in new orders and production. Despite this, the index remained above the long-term average. In contrast, the services sector rebounded strongly, with the Services PMI rising to 59.0 in Feb'25, from January's 26-month low of 56.5, driven by enhanced productivity, robust demand, and increased new business intakes. This recovery in services propelled the Composite Output Index to 58.8 in Feb'25, up from 57.7 in Jan'25.

Manufacturing Sector – India's manufacturing sector recorded a 14-month low of 56.3 in Feb'25, down from 57.7 in Jan'25. The sector's growth remained above its long-term average, with a slight decrease in the pace of new orders and production.

Output growth reached its weakest level since Dec'23. Yet, manufacturers reported enhancements in demand, technological investment, and the initiation of new projects. New export orders experienced a substantial increase in Feb'25, fuelled by increased global demand for their products. Improvements were observed across all three monitored sub-sectors: consumer, intermediate, and investment goods.

Indian manufacturers encountered a jump in input costs in some sectors, with reports of elevated prices for bamboo, leather, marketing, rubber, and telecom rates. However, the overall inflation rate moderated for the third consecutive month, suggesting that the broader cost pressures are easing. Lastly, manufacturers continued to grow their workforce, reaching the second-fastest rate of job creation in the series' history, trailing only behind the surge seen in January.

Service Sector – India's Services PMI climbed sharply to 59.0 in Feb'25, rebounding from January's 26-month low of 56.5, signalling a robust expansion well above its long-term average. The growth in output was propelled by enhanced productivity, robust demand, and a surge in new business intakes.

To address the rising new business demands, Indian services firms continue their recruitment efforts in Feb'25. Despite ongoing staff additions, backlogs accumulated in Feb'25. Outstanding business volumes increased at the joint-fastest rate since last May'24, matching the level observed at the beginning of 2025.

Among the four key service sectors monitored by the PMI Survey, Consumer Services faced the highest cost pressures, while Transport, Information, & Communication firms recorded the steepest rise in selling charges. Further, labour emerged as the main driver of cost pressures, with additional recruitment, higher salaries, and increased overtime payments pushing it upwards. Companies also reported rising expenses in areas such as food, materials, and packaging.

The service sector's outlook appears significantly positive, with future output projections to be influenced by factors such as advertising, improved customer relations, efficiency gains, and favourable demand conditions.

Composite PMI – The Composite Output Index increased to 58.8 in Feb'25, up from 57.7 in Jan'25, indicating a substantial expansion rate. This growth acceleration was predominantly driven by the service sector, whereas manufacturers experienced a more subdued upturn. Service providers also noted a more pronounced increase in employment compared to goods producers. At the composite level, payroll growth maintained a healthy pace. While the pace of growth of PMI indices shows stable growth, the momentum is still weaker than in H1 FY25.

Says **Suman Chowdhury, Chief Economist and Executive Director, Acuité Ratings & Research** "The overall trend in PMI indices indicate that the Indian economy is in a healthy shape, driven by a good momentum in the services sector. While services exports continue to be buoyed by the sustained growth in GCCs, domestic services have been driven by emerging business models supported by digital technology along with the occurrence of events such as weddings and the "Maha Kumbh". However, the traction in the manufacturing sector still remains a point of concern. Manufacturing GVA growth had slipped to 2.1% and 3.5% YoY in Q2/Q3 of the current fiscal and the latest PMI Mfg prints don't indicate any strong recovery on that front in Q4. The latest GDP estimates from NSO forecast a 7.6% growth in the current quarter; we believe there is a material downside risk to that figure. Nevertheless, we retain our overall growth forecast of 6.4% for FY25 on the back of a resurgence in government capital expenditure, a strong rural economy and the buoyancy in the services sector."

Chart 1: PMI indices for Feb'25

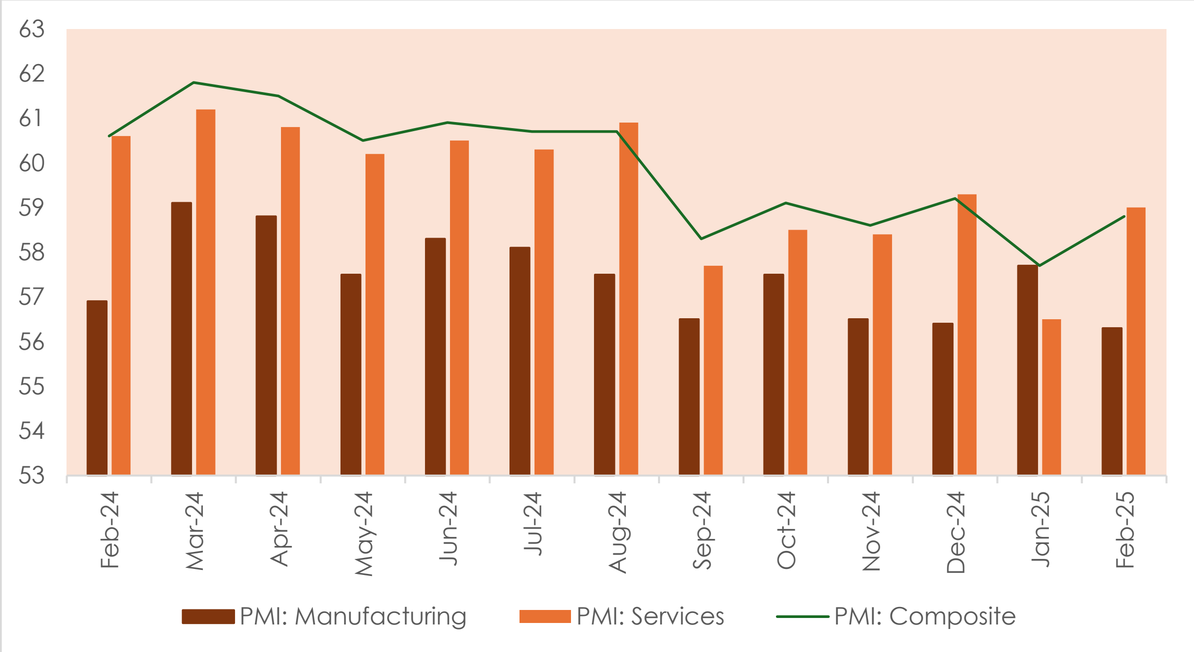

Table 1: PMI Indices Heatmap: Feb'24 to Feb'25

Month	PMI: Manufacturing	PMI: Services	PMI: Composite
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
Jan-25	57.7	56.5	57.7
Feb-25	56.3	59.0	58.8

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