

Press Release

Lack of a steady trend in PMIs

Manufacturing showed signs of recovery while the service sector slipped

February 5, 2025

India's PMI indices for Jan'25 displayed a mixed trend in manufacturing and service activity. The Manufacturing PMI reached a six-month high of 57.7 in Jan'25, signalling a good start to the calendar year, driven by improved demand. In contrast, India's Services PMI fell to 56.5 in Jan'25, marking the slowest growth in over two years after a strong end to 2024 due to a slowdown in business activity. The Composite PMI came down to 57.7 in Jan'25.

Manufacturing Sector – The Manufacturing PMI jumped to a six-month high of 57.7 in Jan'25, up from a 12-month trough of 56.4 in Dec'24, signalling a promising start to 2025. This growth was supported by domestic and international demand, driving an increase in new orders for Indian goods—the fastest in six months. New export orders also rose at their fastest pace in nearly 14 years.

Indian manufacturers scale up their production to meet the growing demand. Input costs continued to climb, driven primarily by higher freight, labour, and material expenses. Nevertheless, the overall inflation rate remained relatively low, enabling Indian manufacturers to speed up their input procurement. While selling prices rose at their slowest pace in four months, they remained above average, supported by robust customer demand. Firms successfully increased their inventories, benefiting from prompt material deliveries by suppliers. Yet, finished goods inventories dwindled for the second consecutive month in January as the rapid growth in demand outpaced production, depleting their stockpiles. Finally, the combination of sales growth and optimistic forecasts drove companies to expand their workforce as they began the fourth fiscal quarter.

Service Sector – India's Services PMI dropped to 56.5 in Jan'25 from 59.3 in Dec'24. This marks the slowest pace of growth in India's leading services sector in over two years, with demand cooling in January.

Growth appeared to be hindered by the mounting pressure of intense competition, resulting in the slowest increase in new business intakes since Nov'23, thereby tempering the momentum in business activity. Despite this, expansion rates remained at historically elevated levels, accompanied by a rise in employment opportunities. While outstanding business volumes surged to their highest level since last May, driven by strong client demand. A few companies attributed their output growth to favourable demand conditions, new business acquisitions, and investments in technology. On the other hand, price pressures remained elevated, with cost burdens rising at a pace similar like December, primarily driven by higher payroll expenses. Concurrently, prices for Indian services surged at the outset of 2025, with the rate of charge inflation accelerating notably from December. This reflects the dual impact

of increased costs and sustained demand, surpassing its typical trend. Overall, service providers stayed optimistic about business activity in the next 12 months, citing advertising, competitive pricing, and new client inquiries as key growth drivers.

Composite PMI – The Composite PMI dropped to 57.7 in Jan'24, down from 59.2 in December 2024. While this was the lowest point since Dec 23, it remained above the long-term average, indicating a strong continued growth ahead.

Says **Suman Chowdhury, Chief Economist and Executive Director, Acuite Ratings & Research** "The flip flop in the PMI indices for the manufacturing and the services sector is not providing any clarity yet on the growth trajectory in the near term. The uptick seen in PMI Mfg print in Jan'2025 needs to be sustained for a material improvement in GVA growth in the manufacturing sector. PMI Services has been disappointing in Jan'2025 but given the wedding and the mega events like the Maha Kumbh, the domestic services should see a better performance in Q4FY25. Going by the PMI nos, the extent of the recovery in GDP growth in Q3/Q4 may be lesser than expected, translating into downside risks for the revised estimate of 6.4%."

Chart 1: PMI indices for January 2025

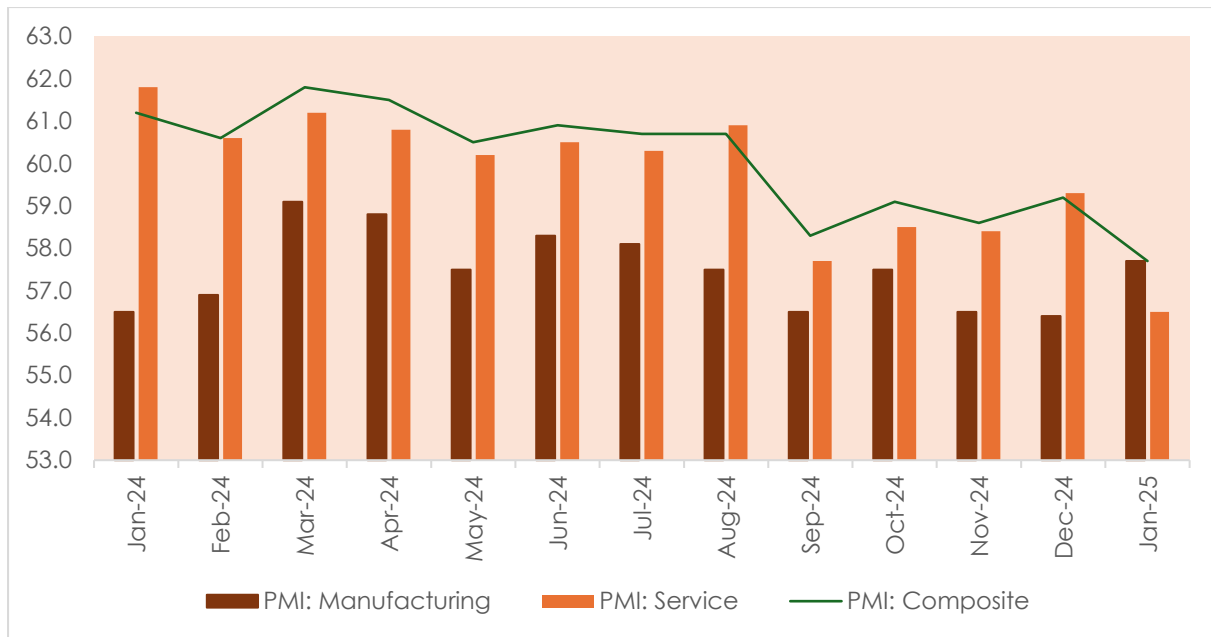


Table 1: PMI Indices Heatmap: Jan'24 to Jan'25

Month	PMI: Manufacturing	PMI: Service	PMI: Composite
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
Jan-25	57.7	56.5	57.7

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