Press Release

PMI indices largely resilient

Slight moderation in manufacturing but improved services activity

September 7, 2024

India Manufacturing PMI dropped to a three-month low of 57.5 in Aug'24, slightly down from 58.1 in Jul'24. Despite this decrease, the index remained significantly above the long-term average, signalling resilience in domestic manufacturing activity. India's Services PMI climbed slightly to 60.9 in Aug'24 from 60.3 in Jul'24 and reflected a strong performance from the services sector during the month. India's Composite PMI stood at 60.7, the same level as the previous month's figure, driven by improved services sector activity.

Manufacturing Sector – India's manufacturing PMI largely maintained its growth momentum in August, coming at 57.5. While this is a slight dip from July's 58.1, it remains significantly higher than the long-term average of 54.0, indicating moderate increases in new business and production. The survey also highlighted changing consumer preferences and increased competitive pressure. New export orders grew at the weakest pace since the beginning of 2024. Business confidence declined in August, as worries about competitive pressures and input cost inflation affected the outlook.

However, on a positive note, the pace of input price inflation eased to its lowest level in five months, allowing manufacturers to increase their pre-production inventories. This growth in inventories was among the most substantial seen in the past 19 years.

Despite a reduction in cost pressures, prices for Indian goods surged, increasing the wholesale inflation rate. Job creation decelerated as some companies reduced their workforce, yet overall employment growth continued to be significant.

Service Sector – Breaking away from the trend observed in the manufacturing sector, India's Services PMI saw an uptick reaching 60.9 in August from 60.3 in July due to a quicker upturn in activities and higher business growth. This increase marks the most substantial expansion since March, greatly surpassing the long-term average. The growth was largely driven by gains in productivity and sustained positive demand. New orders rose for the thirty-seventh consecutive month with domestic sales being the primary growth driver, but new export business grew at a slower rate, touching a six-month low.

Rising operating expenses amid greater food, labour, and transportation costs challenged service providers, yet the overall input cost inflation was modest, marking the weakest increase since August 2020. Consumer Services faced the steepest rise in input costs, while the Transport, Information, and Communication sub-sectors saw the highest inflation. Despite increased operating expenses, the sector remains resilient, particularly in the finance and insurance sub-sectors. The overall rate of output growth remained steady, as growth in services counterbalanced the slowdown in manufacturing. Service providers reported their highest increase in business activity since March, while goods producers saw their slowest production growth in seven months.

Composite PMI – The India Composite Output Index, which measures private sector output, remained steady at 60.7 in August, consistent with the figure reported in July.

Says **Suman Chowdhury, Executive Director and Chief Economist, Acuité Ratings & Research** "India's growth momentum has been largely steady in the current fiscal despite the slowdown of government expenditure during the general elections and severe summer heat in some parts of the country. While GDP growth has expectedly moderated in Q1FY25 at 6.7% YoY, broader economic activity continues to be very healthy, as reflected in the PMI indices. At 60.7, the composite index is still in a strong expansionary mode and remains in the top quartile if we take the data for the last 3 years.

We have revised our annual GDP growth slightly upwards to 7.0% for FY25. Government capital expenditure will continue to be a major pillar of such growth as in the previous year; at the same time, higher growth in private consumption from the rural sector is likely to augment the growth print."

Chart 1: PMI indices remain stable

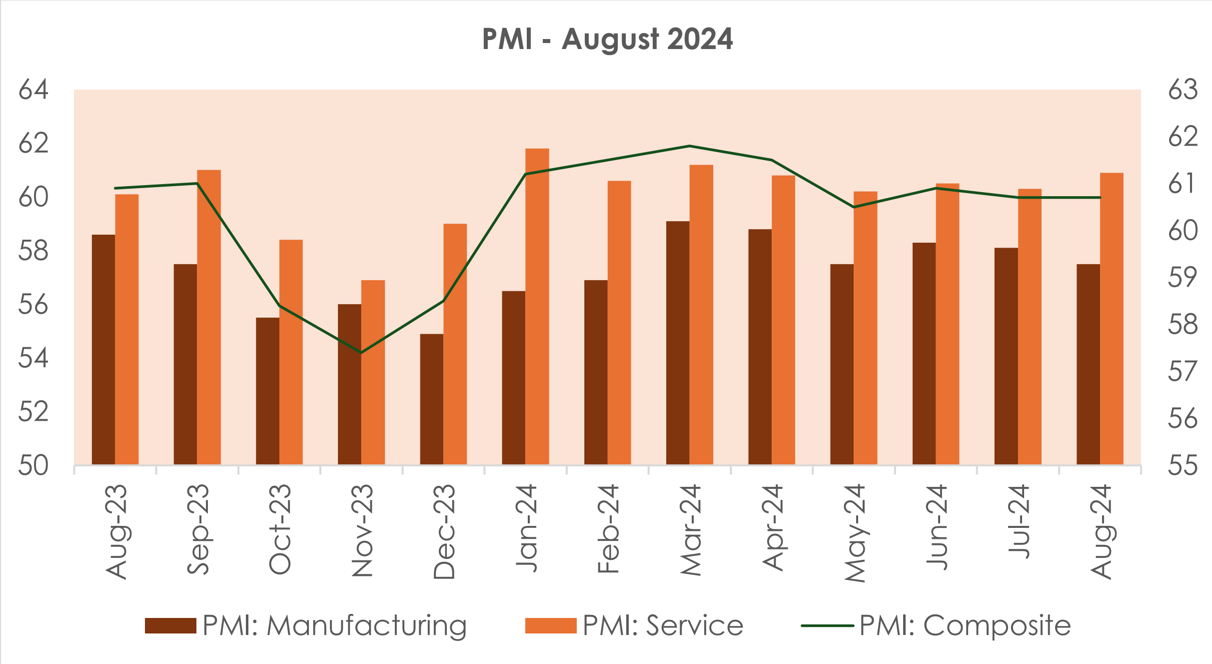

Table 1: PMI Indices Heatmap: Aug'23 to Aug'24

Month	PMI: Manufacturing	PMI: Service	PMI: Composite
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	61.5
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

About Acuité Ratings & Research Limited:

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