

## **Press Release**

### **Stability on the PMI front**

#### **Both Manufacturing and Service print remain steady**

**August 6, 2024**

India Manufacturing PMI remained largely steady, dropping marginally from 58.3 in June to 58.1 in July. Most components in manufacturing activity were strong, supported by favourable demand conditions and a rise in new orders, prompting goods producers to boost their input purchases in July. India service sector activity also grew at a marginally slower pace in July, with the index at 60.3 compared to 60.5 in June. Overall economic activity stayed healthy, with composite index easing slightly to 60.7 in July from 60.9 in the previous month.

#### **Manufacturing Sector**

India's manufacturing sector continued to witness steady growth in July, with a PMI of 58.1 compared to 58.3 in June. Favourable demand conditions and an influx of new orders led goods producers to acquire more inputs in July. The Manufacturing PMI stayed above the long-term average for another month, reflecting the economy's ongoing strength at the beginning of the second quarter. The PMI print maintained nearly six points above the average since the survey's inception in March 2005.

The favourable demand scenario kept fresh employment steady with evidence of both permanent and short-term contracts but also drove up input costs that increased at one of the fastest rates in nearly two years. Given the rising input and labour costs, the output price index moved up, driven by higher expenses for coal, leather, packaging, paper, rubber, and steel, resulting in a pickup in WPI inflation.

Nevertheless, producers managed to pass these expenses on to consumers. Manufacturing PMI highlighted several positive developments including one of the fastest expansions in international sales in over 13 years. Looking ahead, survey participants anticipate an increase in capex utilization in the coming months.

#### **Service Sector**

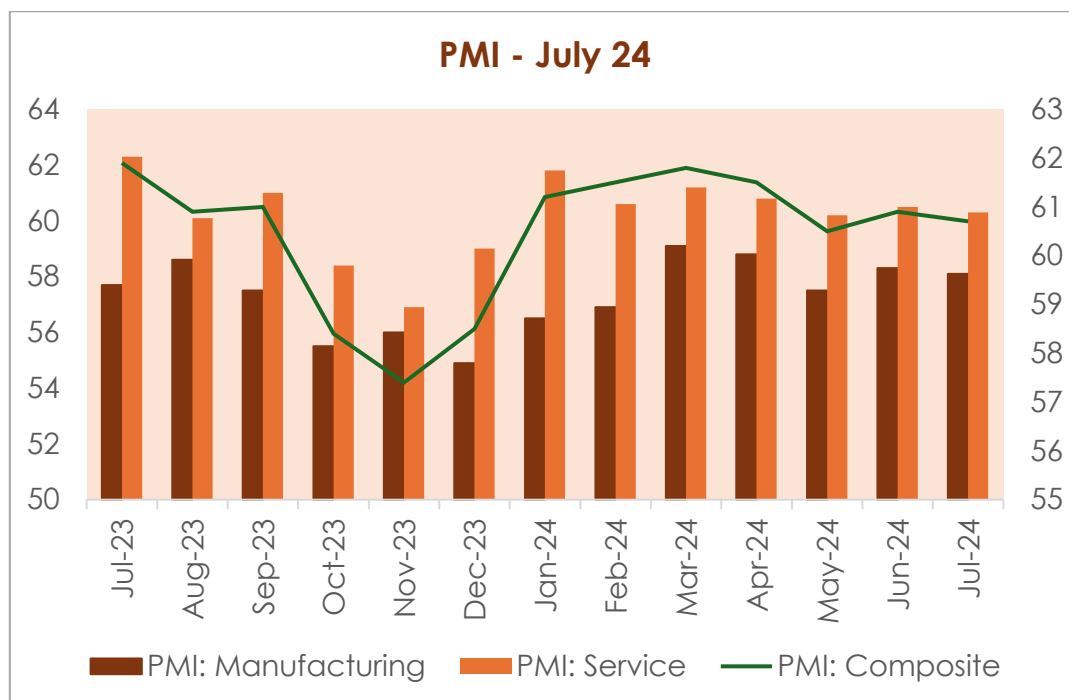
The India Services PMI was 60.3 in July, down from 60.5 in June. In spite of minor fall, service sector activity has been fairly healthy, supported by rising new business driven primarily by domestic demand, technology investments, and an expanded online presence. The index stayed well above the 50-mark for the 36th consecutive month, marking the longest expansion streak since the series began in December 2005.

Services growth was further bolstered by the third-fastest expansion in international sales since the series started in September 2014, driven by increasing global demand for Indian services. This surge has led to a significant rise in new orders, and the growth in job levels is among the strongest seen in nearly two years.

The survey also noted that escalating wage and material costs continued to elevate business expenses, with the overall inflation rate accelerating since June. Rising cost pressures and healthy demand led to the sharpest rise in service prices in seven years. Looking forward, service providers continued to be highly optimistic about their growth potential.

Says **Suman Chowdhury, Chief Economist and Head-Research, Acuite Ratings & Research** "PMI indices indicate that there is no material slowdown in the growth momentum in the beginning of the second quarter although these need to be validated with other high frequency indicators. With better monsoon and agricultural performance, domestic consumption may get a lift during the upcoming festive season. However, the external environment has been increasingly volatile with potential risks to global trade which can have an impact on both manufacturing and services exports going forward. Currently, we maintain our forecast of GDP growth at 6.8% for FY25."

**Chart 1: Steady PMI indices**



**Table 1: PMI Indices Heatmap: Jul'23 to Jul'24**

Month	PMI Mfg	PMI Services	PMI Composite
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
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

### **About Acuité Ratings & Research Limited:**

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