Press Release

No visible uptick in PMI indices yet, slowdown risks continue

Both Manufacturing and Services PMI see a decline in November

December 4, 2024

India Manufacturing PMI slipped back in November to 56.5, the same level as in September after a brief recovery to 57.5 in October. Similarly, India Services PMI dipped slightly to 58.4 from 58.5 in October. The Composite PMI stood at 58.6, reflecting continued expansion across both sectors, with services outperforming manufacturing in output growth despite cost challenges.

Manufacturing Sector – Manufacturing PMI slipped to 56.5 in November, down slightly from the prior month but still in strong expansionary territory. Growth in sales and output was supported by healthy demand conditions, although competition and rising price pressures, particularly from higher input costs, somewhat constrained this progress. Input cost inflation reached its highest level since July, driven by increased prices for chemicals, cotton, leather, and rubber, which were passed on to customers. This price inflation was primarily driven by higher expenses in freight, labour and materials.

The manufacturing sector saw slower growth in new business, with domestic orders easing to the second-weakest level in 11 months. However, export orders gained momentum, with international demand rising at the strongest pace in four months, driven by demand from markets such as China, the US, and several European countries. Employment levels continued to rise, marking the ninth consecutive month of job creation.

Indian manufacturers increased their input purchases for production and inventory purposes, albeit at the weakest pace in nearly a year. Average lead times continued to shorten, driven by strong relationships with long-standing suppliers. Consequently, manufacturers were able to add to their input stocks at a rate above the long-run average, although the pace of accumulation slowed to its weakest level in 2024. However, a long-standing decline in finished goods stocks, which had been ongoing since August 2017, came to an end in November. Despite a slight decline in the rate of purchasing, manufacturers remain optimistic about future growth, underpinned by positive business forecasts for 2025.

Services Sector– India's services sector maintained steady growth in November 2024, with the India Services Business Activity Index at 58.4, reflecting an expansion well above the long-term trend. The growth continues to be facilitated by strong domestic demand, new business wins, and continued international orders, with export sales growing at their fastest pace in three months.

November saw the fastest pace of job creation since the survey began in 2005, reflecting India's robust service sector strength. This hiring surge reflected improving business confidence, rising new orders and robust international demand. However, this growth came with a downside—input prices rose sharply to the greatest extent in 15 months due to higher food and labour costs, which forced companies to pass on these higher costs to consumers, resulting in the steepest increase in selling prices in nearly 12 years. November also saw a rise in unfinished work, increasing at the fastest pace in six months, driven by strong demand and capacity constraints.

Despite rising costs, businesses were optimistic about future growth, with confidence reaching its highest level since May. The ongoing demand strength and strategic hiring efforts continue to drive optimism, although inflationary pressures remain a challenge for the sector.

Composite PMI – In November, India Composite Output Index registered 58.6, a slight decline from 59.1 in October, indicating a steady rate of expansion. The goods-producing sector experienced a larger slowdown in growth compared to services but still saw a faster increase in output than the service sector. Service providers faced stronger cost pressures than manufacturers, leading to a steeper rise in selling prices within the services industry.

Says **Suman Chowdhury, Chief Economist and Executive Director, Acuité Ratings & Research** "While there was a recovery in the PMI indices in the festive month of October, the momentum has not been sustained in November. The corporate sector is hopeful of a strong demand recovery but has concerns on input cost inflation in the second half of the year. Growth is expected to pick up in Q3 and Q4 from the 7 quarter low of 5.4% in Q2FY25 on the back of stronger agricultural sector and higher government spending. However, the PMI indices are yet to reach those levels which will reinforce the likelihood of 7.0% GDP growth in H2FY25."

Chart 1: PMI indices showed moderation in November 2024

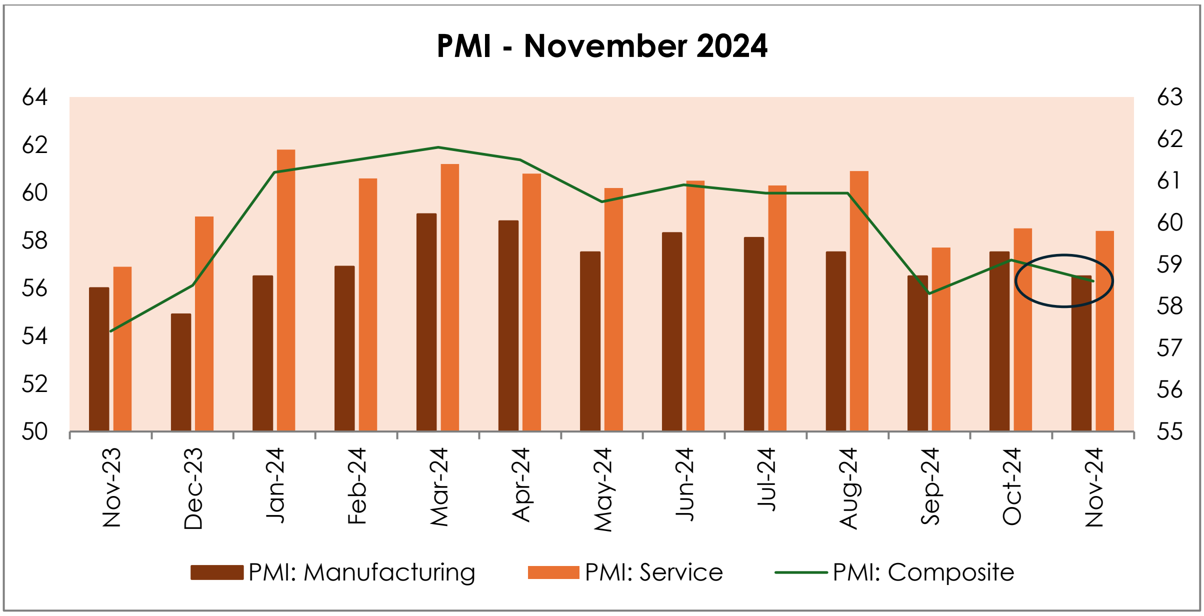

Table 1: PMI Indices Heatmap: Nov'23 to Nov'24

Month	PMI: Manufacturing	PMI: Service	PMI: Composite
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
Sep-24	56.5	57.7	58.3
Oct-24	57.5	58.5	59.1
Nov-24	56.5	58.4	58.6

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