Press Release

PMI indices reflect steady growth in Q1

July 5, 2024

In June 2024, India's manufacturing activity regained strength, with the PMI rising to 58.3 from May's 57.5. Stronger demand and increased orders, particularly in consumer goods, drove this growth. Despite rising input costs, manufacturers successfully raised prices, boosting their margins. Simultaneously, the Services PMI climbed slightly to 60.5 in June from 60.2 in May-24, indicating steady domestic and export demand. Overall, the Composite Output Index rebounded to 60.9 in June from 60.5 in May. An uptick in both manufacturing and services PMI reflect steady growth momentum in the first quarter of FY25.

Manufacturing Sector

India's Manufacturing PMI rose to 58.3 from May's three-month low of 57.5, signalling a notable enhancement in new business conditions. This was driven by strong demand fundamentals, rising new order intake, augmented export volumes, effective advertising strategies and greater client inquiries, all of which significantly bolstered growth.

Despite a drop in business sentiment to a three-month low, it remained resilient and surpassed the long-term average. In June, manufacturers in India saw substantial growth in sales, driven primarily by consumer goods, although there were also significant rises in intermediate and investment goods categories. Higher volumes have led to job growth, the fastest in over 19 years, continuing a fourth consecutive month of expansion.

On the pricing front, input costs remained high in June. Although the pace of cost increases slowed slightly compared to May, prices charged to customers saw their sharpest rise in two years. Staff expenses intensified during the month, compounded by higher costs of materials and transportation, contributing to an overall increase in operating expenses. Manufacturers managed to pass on these higher costs to customers due to robust demand, thereby improving margins.

Looking ahead, the overall outlook for India's manufacturing sector remains positive backed by a promising investment outlook, further supported by sturdy government capital expenditures and healthy corporate and banking sector balance sheets. This has set a conducive stage for a revival in private capital expenditures, although sustained investment recovery hinges on broader improvements in private consumption.

Service Sector

In June, India's Services PMI climbed to 60.5 from May's 60.2, indicating a strong expansion in output. This growth outpaced May's performance and exceeded the long-term average. The acceleration in India's dominant services sector last month was driven by strong demand in both domestic and export orders. New business, a pivotal indicator of demand, has consistently remained above the breakeven point since August 2021 and expanded more rapidly in June. This is promising for India, especially given its seventh-place global ranking in services exports, as per RBI.

India Services PMI has seen nearly three years of consistent growth (above the 50-point mark). Despite concerns over market uncertainty and higher operating costs, service providers-maintained confidence in their business outlook for the coming year, albeit with moderated optimism compared to previous months. Additional hiring contributed to increased labour costs for firms. Fewer than 5% of services companies chose to pass on increased costs to clients by raising selling prices in June, resulting in only moderate inflation. This increase was the slowest since February.

Composite PMI - The Composite Output Index increased to 60.9 in June, in line with the preliminary estimate and up from May's 60.5, indicating a broad-based expansion driven by both the service and manufacturing sector.

Says Suman Chowdhury, Chief Economist and Head – Research "India PMI indices continue to throw up robust figures as compared that of the other comparable economies, highlighting the current strength in both the manufacturing and the services sector. Apart from the consistently large public investments, a revival and resilience in the export markets is also helping to keep the indices at high percentiles. It is also encouraging to hear about a pickup in hiring from the survey which can support the improvement in consumption demand in the current year. On the back of a higher than expected 8.2% GDP growth in FY24, the economy is poised to deliver a growth of 6.8% in FY25 as per our forecasts."

Chart 1: PMI indices remain steady

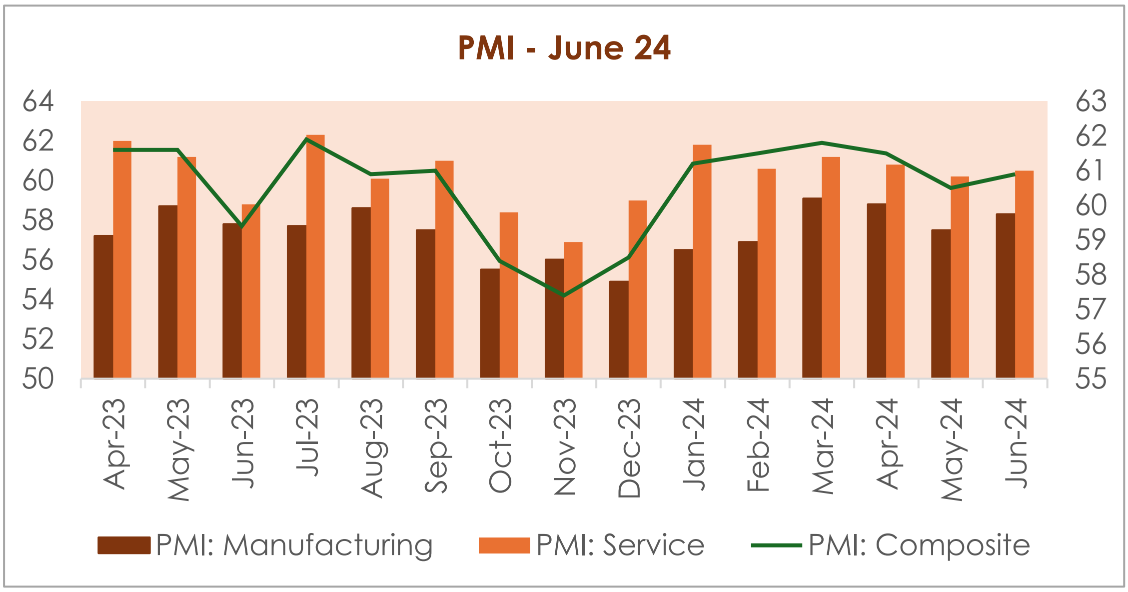

Table 1: PMI Indices Heatmap: Jun'23 to Jun'24

	PMI Mfg	PMI Svcs	PMI Comp
Jun-23	57.8	58.5	59.4
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

About Acuité Ratings & Research Limited:

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 9,900 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

Media Contact:

Sahban Kohari
Ph: + 91-9890318722
sahban@eminencestrategy.com

Analytical Contacts:

Suman Chowdhury Chief Economist & Head of Research Ph: + 91-9930831560 suman.chowdhury@acuite.in	Prosenjit Ghosh Group Chief Business Officer Ph: +91-9920656299 prosenjit.ghosh@acuite.in