

Press Release

Moderation in PMI print, underlying momentum still visible

GDP growth in FY25 likely to moderate to 6.8%

June 07, 2024

India's manufacturing activity, as reflected in PMI Manufacturing, has shown a slight moderation in May-24 after touching a 16-year high in March but remained above its long-term average. Manufacturing PMI fell from 58.8 in April to 57.5 in May 24 which may be partly also attributed to lower working hours amidst an intense heatwave during the month, along with possible election-related disruptions. On the other hand, India's service sector slipped to a five-month low in May at 60.2 from 60.8 in the previous month; however, it remains well above the 50 mark, reflecting the continuing buoyancy in the Indian services sector. Nevertheless, the moderation element is reflected in the PMI Composite index which saw a 5-month low of 60.5 in May-24.

Manufacturing Sector – PMI Manufacturing is slightly down to 57.5 in May-24 as compared to 58.7 in May-23. While there was a slight dip in the growth momentum, attributed to the factors like reduced working hours due to the heatwaves affecting production volumes, the manufacturing sector sustained its expansionary trend. Although new domestic orders increased at a softer pace compared to last 3-months, export orders have continued to witness a rising trend. International sales surged to their highest level in 13 years, fostering an optimistic outlook among good producers. A reduction in the finished goods inventory provides a clear indication of the robust sales performance, with numerous companies utilizing warehouse supplies to fulfil heightened demand. The business sentiments remained positive driven by expectations of sustained demand, along with the improved economic prospects. As a result, Manufacturing employment reportedly, rose highest since data collection started in March 2005. On the cost side, input prices increased due to higher raw material and freight expenses. In response to rising operating costs, companies adjusted their selling prices during the month which has started to reflect in a gradual rise in WPI Inflation.

Services Sector – In the month of May, the service sector's index dipped to 60.2 from 61.2 in the previous Apr-23. With the economic activity in the US remaining resilient, international orders for services is expected to remain healthy. Domestic market orders softened slightly but remained robust indicating a persistent demand trend. The Services Purchasing Managers' Index (PMI) indicate that while growth was hindered by price pressures, it was also upheld by productivity gains and strong global demand. However, the new business sub-index, a key indicator of demand, grew at the slowest pace this year, impacted by competition, price pressures, and to an extent, adverse weather conditions during the month.

Says **Suman Chowdhury, Chief Economist and Head – Research, Acuite Ratings & Research** “PMI prints for May-24 do indicate a moderation in economic activity which is partly seasonal and still continues to reflect the healthy momentum in the Indian economy. Manufacturers have reported reduction of finished inventories and better

export orders which augurs well for industrial growth in Q1FY25. The overall PMI Composite still is close to all time high seen in the previous fiscal. The services index print, while at a 5-month low, still reigns over the level of 60, highlighting the resilience in the sector despite the global uncertainties. GDP growth in FY24 has been a robust 8.2% beyond most estimates driven by a solid performance in both manufacturing and services. However, we expect a moderation in GDP growth in FY25 and the current forecast stands at 6.8%. The extent of pickup in private sector capital expenditure will have a significant bearing on the growth print over the medium term.”

Chart 1: PMI Indices Trajectory

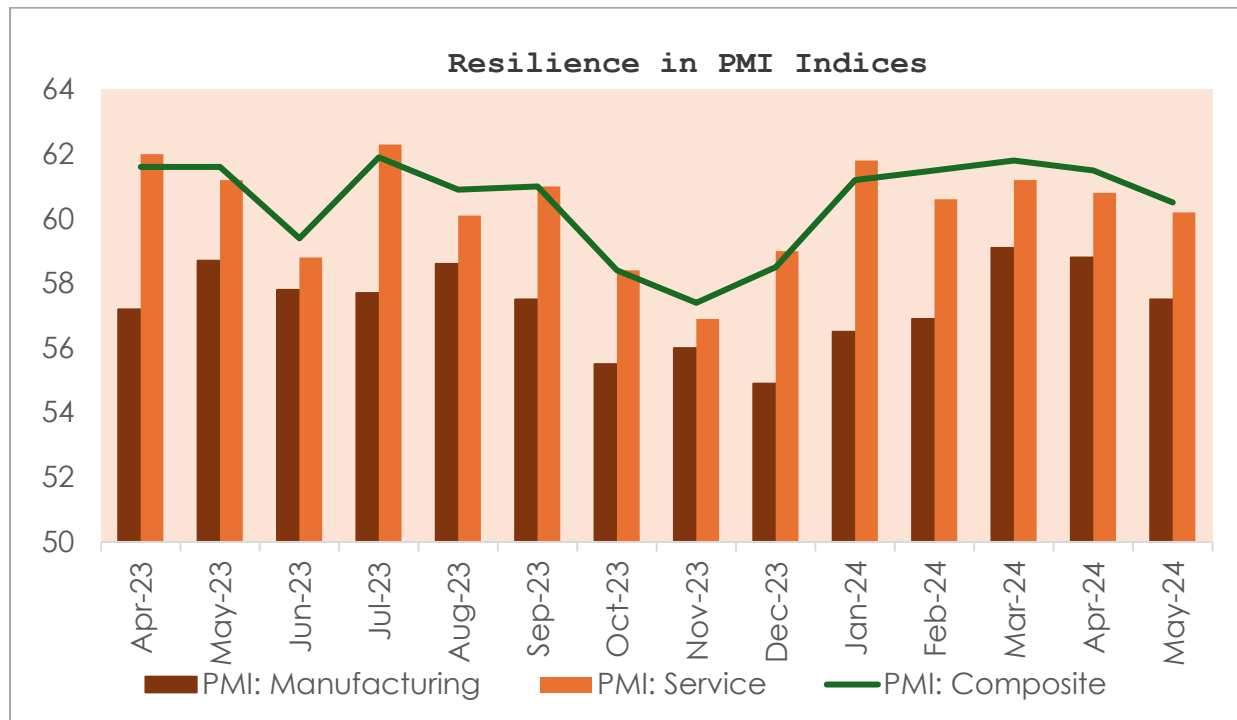


Chart 2: Month of May – PMI SnapShot

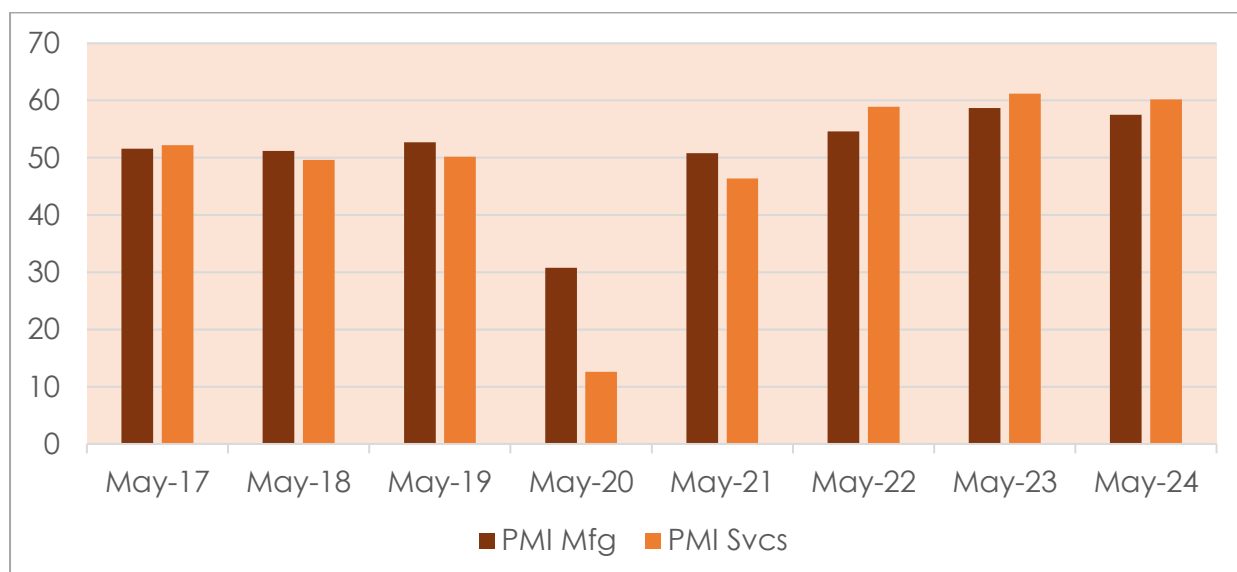


Table 1: PMI Indices Heatmap: May'23 to May'24

	PMI Mfg	PMI Svcs	PMI Comp
Apr-23	57.2	62.0	61.6
May-23	58.7	61.2	61.6
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

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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

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