

## Press Release

# Continuing moderation in PMI Indices

## Services show better strength than Manufacturing in Dec-23

January 8, 2024

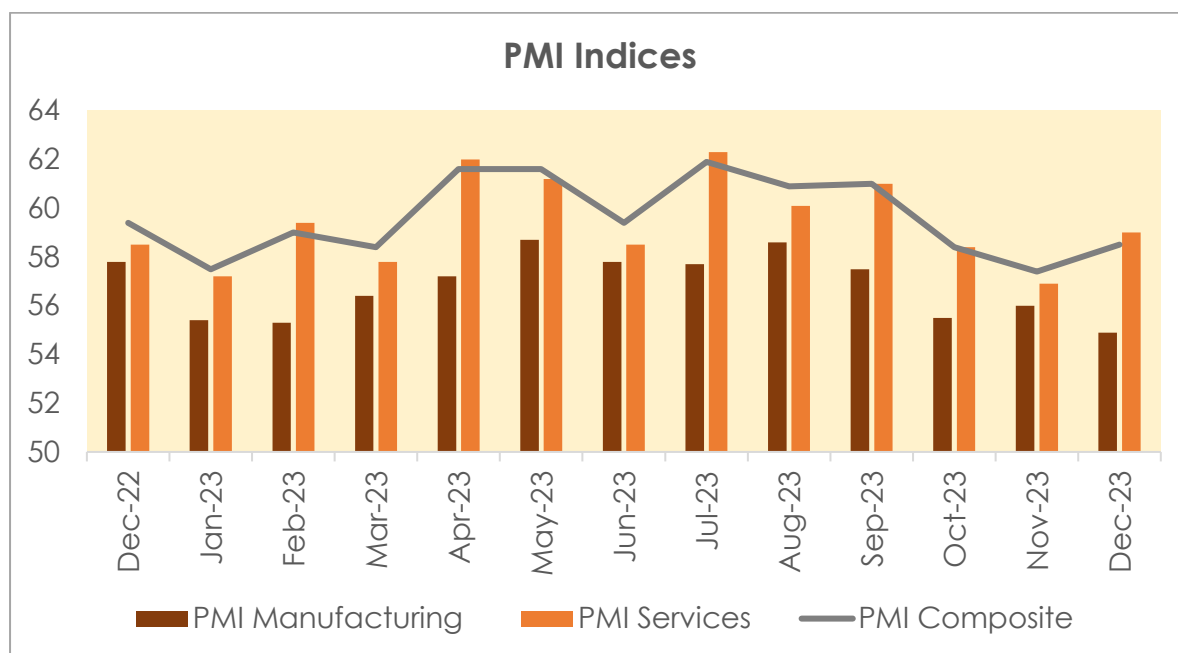
India Manufacturing PMI (Purchasing Managers' Index) dropped to 54.9 in Dec-23 i.e. an 18-month low from 56.0 in Nov-23. The rate of expansion in the sector dampened to the weakest since Oct-22 but remained above its long-run average and continues to indicate a healthy level of manufacturing activity. On the other hand, PMI Services firmed up again in Dec-23 to 59.0 after showing some weakness in Oct-Nov'23 when the index stood at 58.4 and 56.9 respectively. PMI Composite also improved to 58.5 in Dec-23 from 57.4 in Nov-23 driven by the higher PMI services print. On a quarterly basis, the moderation in the growth of economic activity is evident from the average PMI Composite which slipped to 58.1 in Q3FY24 from 61.3 in Q2FY24 and 60.9 in Q1FY24.

PMI Mfg at 54.9 in Dec-23 still indicates a healthy momentum in the manufacturing sector. However, the quarterly average (55.5) was the lowest in the last six quarters, reflecting a relative but an expected moderation. The data showed a general lack of pressure on the capacity of manufacturers at the end of the third fiscal quarter. This was evidenced by only a marginal uptick in outstanding business volumes. There was no material increase in hiring in the sector. The rate of inflation in December was negligible by historical standards and was the second weakest in just under three-and-a-half years. For the fourth month in a row, the rate of charge inflation surpassed that of input prices. Interestingly, input inventories continued to rise, reflecting a sustained increase in buying levels. Advertising, better customer relations and new enquiries are the main factors which continued to drive business confidence in Dec-23.

Contrary to the sequential decline in the PMI Mfg. PMI Services witnessed an uptick. India's services sector ended the year on a high note, with an uptick in business activity, led by a three-month high new order position. New orders from abroad continued to grow with Indian service providers seeing higher demand in December from clients based in Australia, Canada, Europe, the Middle East, and South America, the global slowdown notwithstanding. Employment in the sector rose slightly, at a faster rate than in November. Services firms in India expect the strong demand momentum to carry forward to 2024 coupled with advertising and better customer relationships. The overall degree of business optimism was strong and better than that seen in November. On the prices front, input cost inflation for service providers fell to the lowest in 40 months in December. However, in a sign of improving corporate margins, prices charged to customers rose at a faster pace than the increase in input prices.

With the improved momentum in the PMI Services, PMI Composite rose but the quarterly average for Q3FY24 was the lowest in the last four quarters.

**Chart 1: India's PMI Indices continue to be in a moderating phase**



**Table 1: PMI Indices Heatmap: Dec'22 to Dec'23**

Month	PMI Manufacturing	PMI Services	PMI Composite
Dec-22	57.8	58.5	59.4
Jan-23	55.4	57.2	57.5
Feb-23	55.3	59.4	59
Mar-23	56.4	57.8	58.4
Apr-23	57.2	62	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	61
Oct-23	55.5	58.4	58.4
Nov-23	56	56.9	57.4
Dec-23	54.9	59	58.5

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