Press Release

PMI Indices firmly remain in expansionary territory

Price increases reported amidst steady demand in both services and manufacturing

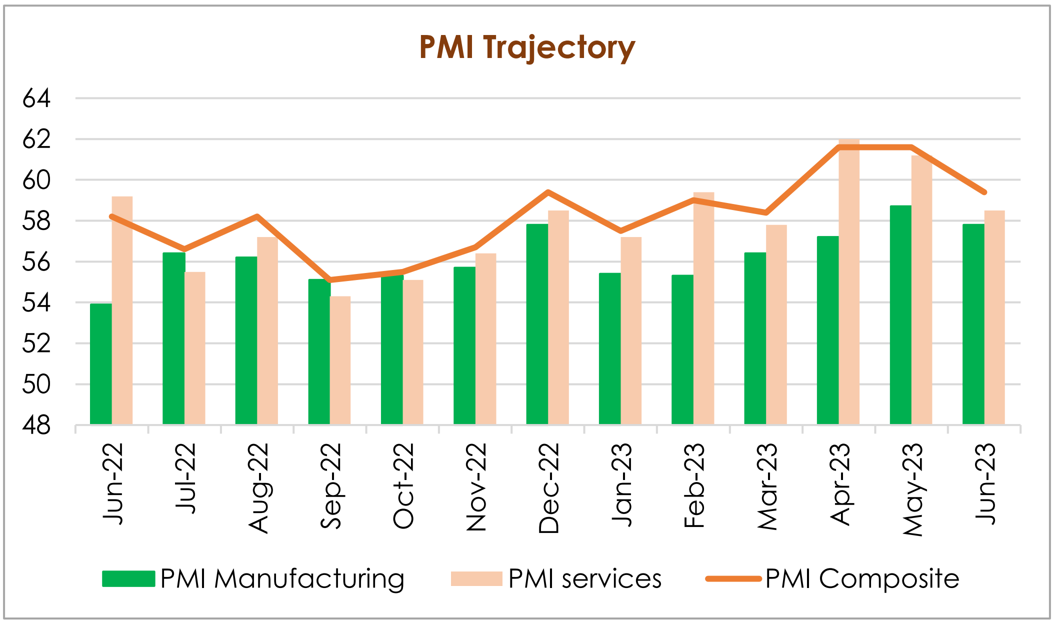
06-July-2023

The PMI data for Jun-23 indicates that economic activity in India remains on a steady track despite the ongoing challenges of a global slowdown. However, the base factor has started to catch up with the high levels of the indices, as reflected from the PMI Composite print which has seen a moderate drop to 59.4 in June from an all time high of 61.6 recorded in both April and May-23. PMI Manufacturing declined sequentially to 57.8 from 58.7 in the previous month but still continues to be at robust levels. From a high of 62.0 seen in Apr-23, PMI Services Index saw a gradual drop to 58.5 in Jun-23, partly reflecting the saturation of domestic demand for services after a strong revival.

S&P Global India Manufacturing PMI fell by 1.9% from the 31-month peak in May-23. Nevertheless, the latest figure was the 24th consecutive month of growth in factory activity (>50). New orders rose sharply, with the rate of rise among the strongest since February 2021. The output increased the most in one and a half years, while buying activity rose at the second-strongest pace in over 12 years. The delivery times improved further, as vendor performance strengthened the most in eight years. However, capacity pressures remained mild and new export orders rose at a softer pace with moderate employment gains. On prices, input cost inflation was among the lowest in three years. However, output charge inflation hit its highest in 13 months, reflecting the gain of ability to increase final product prices amidst overall improved demand.

The seasonally adjusted S&P Global India Services PMI fell by 6% MoM in June 2023. While this is the lowest growth in the services activity indicated by the PMI in the last three month, it marked the 23rd consecutive month of expansion in the services activity. There was a rise in new business for the service providers boosting the optimism for future profits and increasing the workforce for the related industry. This led to a faster rise in employment rate as compared to earlier months. The rate of input cost increase slowed down. Despite this, inflation in output prices climbed to a near six-year high in June 2023. The key features of PMI Services survey in June were a faster upswing in business and sharper rise in output charges. Healthy demand environment and marketing strategies contributed to the growth of business. The pass-through of greater input and staff costs to clients was the major factor highlighted by firms for the latest upturn in charges. Increase in new export orders was reported but modest and slower than in May. The output inflation was most pronounced in the Transport, Information & Communication category, despite seeing a demand moderation since May.

Chart: PMI Indices lower than previous month but continue to be robust



	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23
PMI Manufacturing	53.9	56.4	56.2	55.1	55.3	55.7	57.8	55.4	55.3	56.4	57.2	58.7	57.8
PMI Services	59.2	55.5	57.2	54.3	55.1	56.4	58.5	57.2	59.4	57.8	62	61.2	58.5
PMI Composite	58.2	56.6	58.2	55.1	55.5	56.7	59.4	57.5	59	58.4	61.6	61.6	59.4

Says Suman Chowdhury, Chief Economist and Head-Research, Acuité Ratings & Research "The PMI indices for Q1FY24 have been encouraging and indicate that the domestic economy has been on a healthy track to notch up a GDP growth of over 7.5% in the first quarter. The manufacturing sector has performed better than expectations along with robust services activity albeit with some expected moderation after the peak of pent-up demand. While there are risks accruing from the global slowdown and timely rainfall during the rainy season, signs of a pick up in private sector capital expenditure along with strong momentum in public infrastructure investments augur well for industrial as well as overall economic growth in the current year."

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 9,600 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.

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