

Press Release

PMI indices hold their ground at high levels

Expectation of festive demand drove economic activity in Q2FY24

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The seasonally adjusted India Manufacturing Purchasing Managers' Index (PMI) witnessed a decline to 57.5 in Sep-23 from 58.6 in Aug-23 but still remained significantly higher than that in Sep-22 (55.1). PMI Services stood relatively more buoyant and rose again from 60.1 in August to 61.0 in September, signalling a sharp upturn in output that was one of the strongest in over 13 years. Given the persistent firmness in both the PMI indices in the current fiscal, the Composite PMI Index also stood strong at 61.0 in Sep-23 and recorded a half yearly high average of 61.1 in H1FY24.

Although PMI Manufacturing Index displayed a modest sequential drop, the print suggests a healthy expansion of manufacturing activity. The participants of the PMI Mfg survey reported an expansion in sales and cited favourable demand trends with positive market dynamics. On the exports front, the firms noted new business gains from clients in Asia, Europe, North America, and the Middle East; growth in export orders, however, was lower than the high touched in August. Inflation in output prices rose at a solid and faster rate than the long-run average as manufacturers passed on the input cost burden that included higher labour costs. Employment growth picked up since August and was strong by historical standards. Manufacturers' purchase of inputs continued to grow at a robust rate that was aligned with those seen for new orders and production. Delivery times, nevertheless, got a bit elongated following a six-month period of improving vendor performance.

One of the highest rises in PMI Services in the past 13 years seen in Sep-23 can be attributed to multiple factors. Indian service providers reported a substantial increase in new business, one that was the second-fastest since June 2010 as market dynamics remained favourable, supporting demand along with advertising that boosted sales. The respondents also reported additional hiring to aid their efforts to keep up with workloads and cope up with future growth. Indicative of capacity pressures among Indian services firms, the backlogs of work continued to expand in September. However, the billing rates in services rose at a softer rate as cost pressures receded to one of the lowest in two-and-a-half years, moderating the inflationary pressures which will have positive implications for the core inflation figures.

The PMI report also mentions that private sector sales rose at the second fastest pace in over 13 years, reflecting continuing strength in demand for both goods and services. The steady trajectory in both the manufacturing and the services indices have led to a significant jump in the PMI Composite Index from 55.1 in Sep-22 to 61.0 in Sep-23. The average composite index in H1FY24 stood at 61.1, an all time high and reflective of the overall buoyancy in domestic economic activity.

Says Suman Chowdhury, Chief Economist and Head – Research “The elevated readings of the twin PMI indices continue to indicate the steady momentum in both the manufacturing and the services sector in the first half of the current fiscal. The expectation of strong demand during the festive season (mostly Q3) has been an

important driver of increased economic activity. The strength of rural demand in particular amidst a deficient monsoon and higher food prices will be a monitorable in the second half of the year. Nevertheless, high investment activity through government capital expenditure and a gradual rise in private sector capex will facilitate a healthy GDP growth in FY24, ours being pegged at 6.0% for now."

Chart 1: India's PMI Indices remain deeply entrenched in the expansionary territory

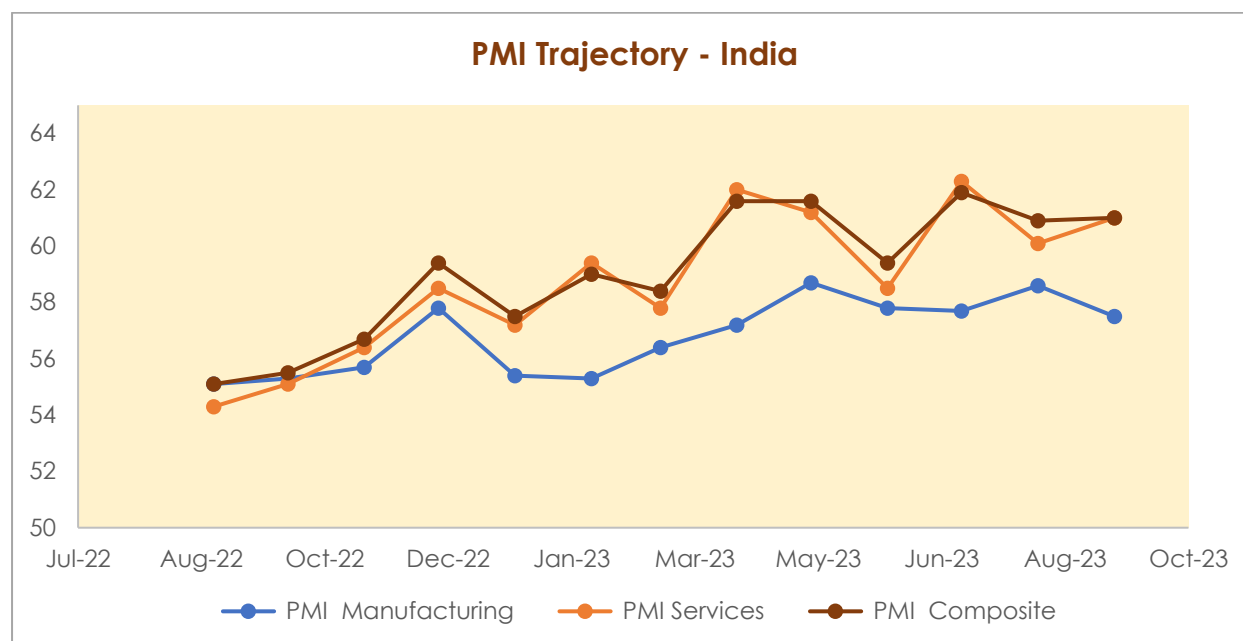


Table 1: PMI Indices Heatmap: Sep'22-Sep'23

Month/ Year	PMI Manufacturing	PMI Services	PMI Composite
Sep-22	55.1	54.3	55.1
Oct-22	55.3	55.1	55.5
Nov-22	55.7	56.4	56.7
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

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