

Macro Insights

06th June 2024

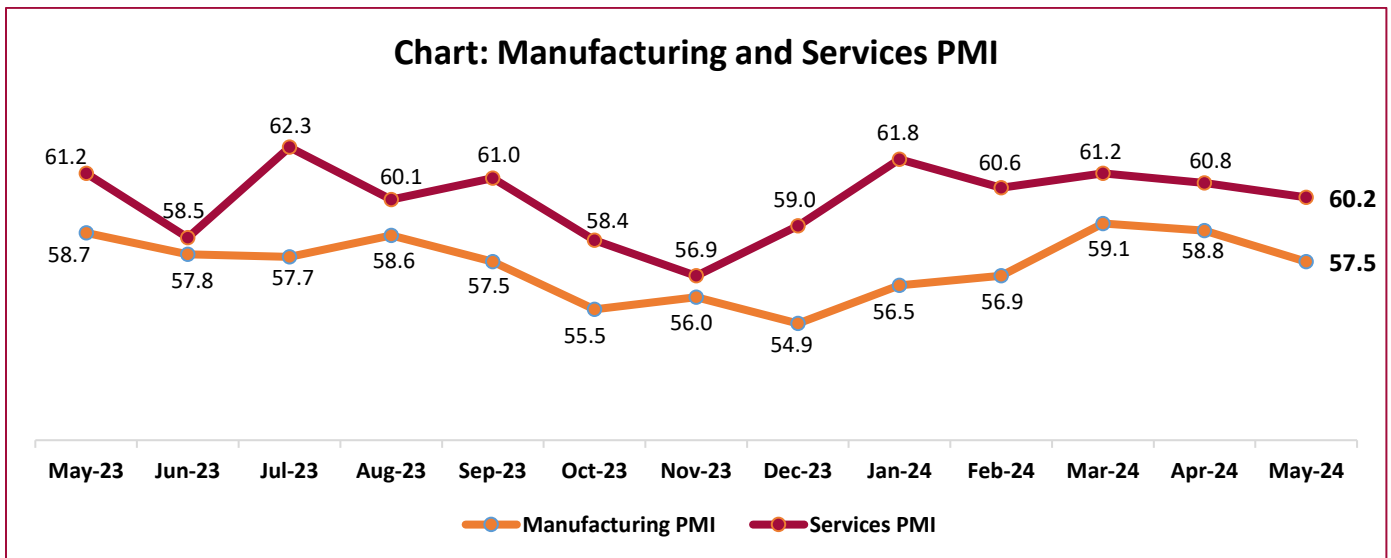
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Highlights

- ☞ The Manufacturing Purchasing Managers' Index (PMI) fell to 57.5 in May'24 from 58.8 recorded in April'24 and stands lower than 58.7 recorded in May'23.
- ☞ The Services PMI fell to 60.2 in May'24 from 60.8 recorded in April'24 and stood lower than 61.2 recorded in May'23.
- ☞ Services PMI has been above 50 for the 34th consecutive month. While manufacturing PMI has been above 50 for the 35th consecutive month.
- ☞ Composite PMI, a combination of manufacturing and services indices fell to 60.5 in May'24 from 61.5 in April'24 and stands lower than 61.6 recorded in May'23.

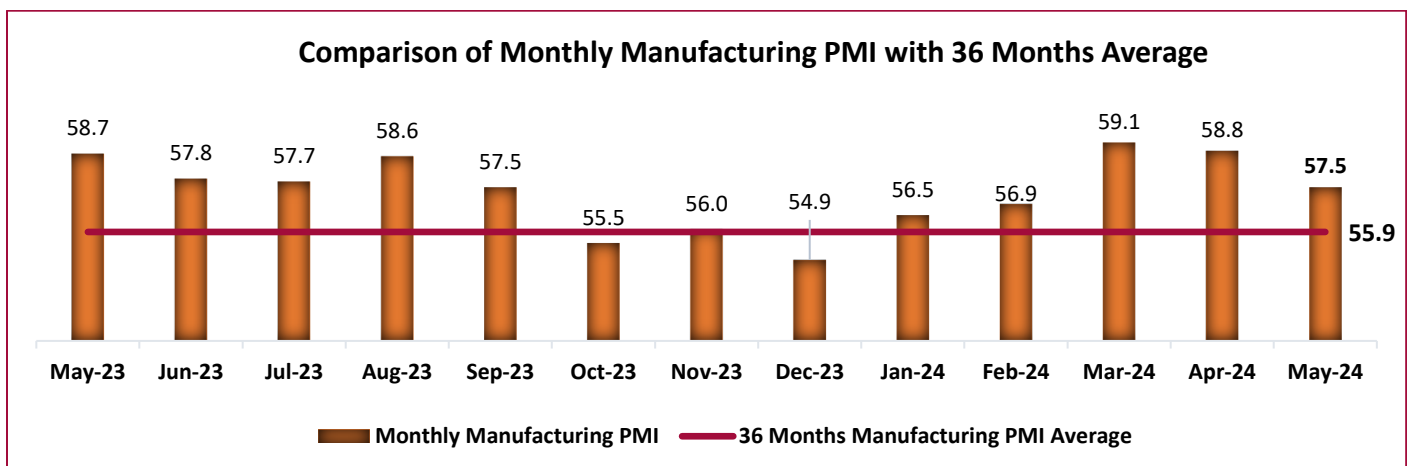
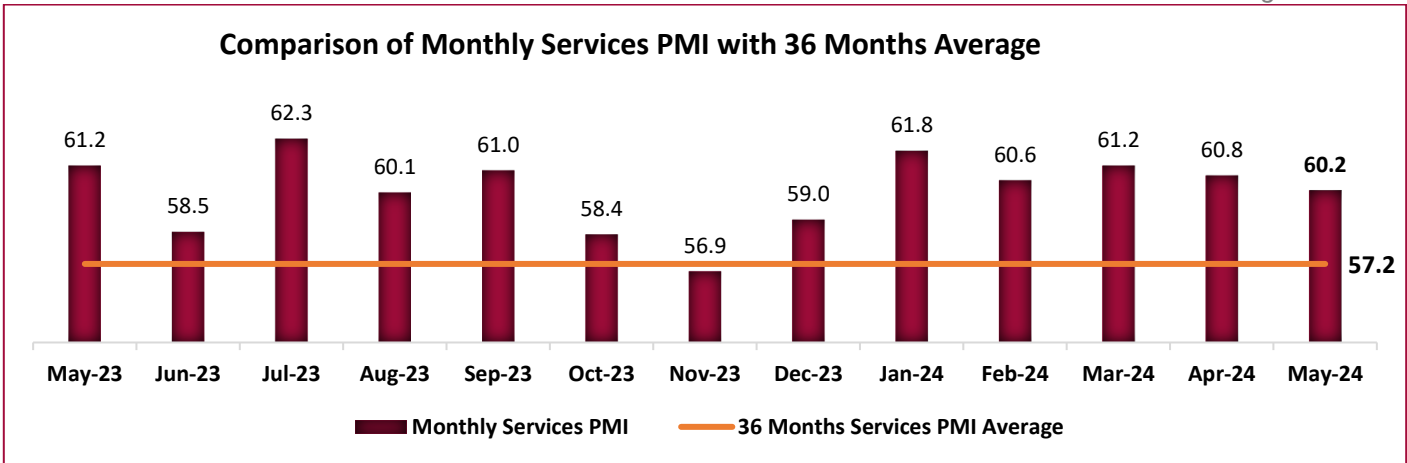
Insights

- ☞ The heatwave across India has an impact on both manufacturing and services, with both PMI manufacturing and services recording a decline.
- ☞ Despite easing to a three month low, the rate of increase in manufacturing remained sharp.
- ☞ A reading above 50 means expansion while a one below it shows contraction.
- ☞ PMI services fell from 60.8 in April to 60.2 in May, its lowest level since Dec'23. Growth was supported by rising sales, productivity gains and demand strength.
- ☞ Rising export orders across both sectors suggest scope for businesses to explore new export opportunities.



Views:

Services PMI cooled to 5 month low, despite strongest export orders since the inception of the series in September 2014. While headline PMI for the manufacturing sector fell compared to the previous month, it was nearly 4 points above its long period average.



PMI manufacturing for May’24 indicated continued expansion, but at a slower pace compared to April’24 as the enduring heatwave reduced working hours and production costs increased. Production and new orders grew, but at a slower rate, with marketing efforts and strong demand supporting growth. Export orders, however, increased significantly. Manufacturing firms showed high optimism, leading to notable job creation, with employment levels rising at one of the fastest rates since data collection began. Input and output costs increased, driven by higher raw material and freight expenses. Companies raised selling prices, although inflation remained below the long-run average. Data suggests that while the sector faces challenges from external conditions and cost pressures, underlying demand and business optimism remain strong, supporting continued growth and job creation.

As per data for PMI services, the sector continued to grow, but at a slower pace compared to previous months. Despite robust increases in new business intakes supporting output growth, the rates of expansion were the slowest in the year-to-date due to intense competition, price pressures, and a severe heatwave. New orders from international markets grew at the fastest rate since the series began nearly ten years ago. There was a notable increase in demand from regions such as Asia, Africa, Europe, the Middle East, and the US. Business confidence rebounded to an eight-month high, leading to increased staffing levels. Employment rose markedly, with firms hiring more junior and mid-level workers due to demand strength and productivity gains.

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