

Macro Insights

05th August 2024

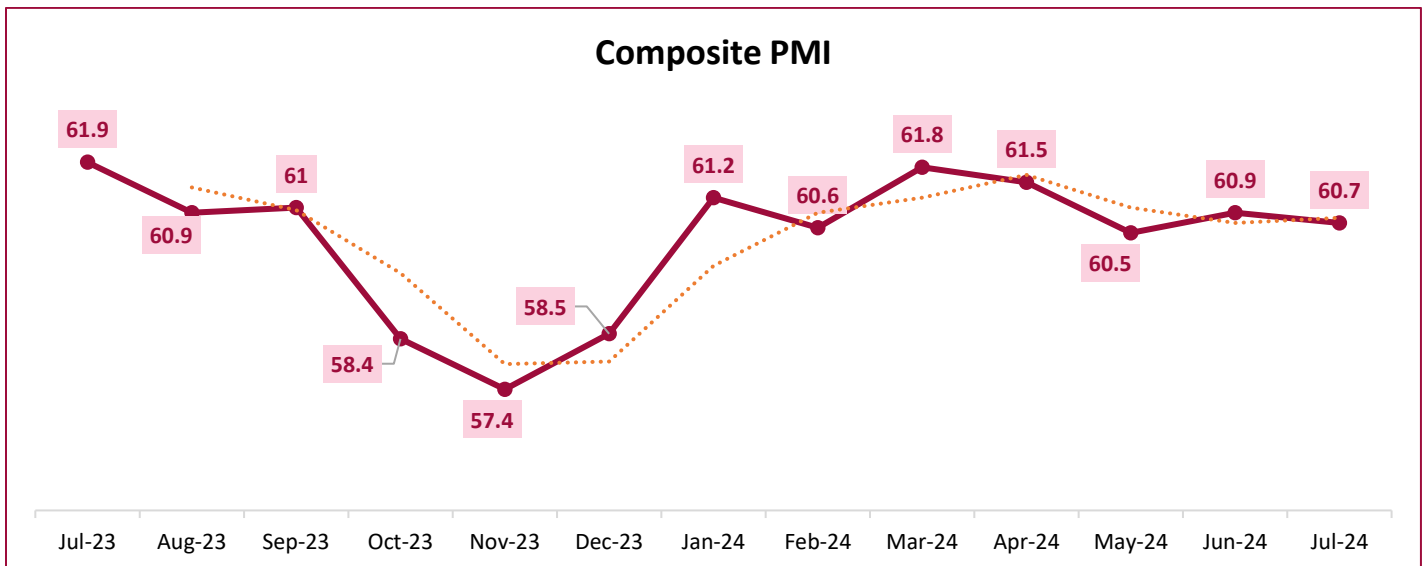
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Highlights

- ☞ The Manufacturing Purchasing Managers' Index (PMI) stood at 58.1 in July'24, with little change from 58.3 recorded in Jun'24, but higher than 57.7 recorded in July'23.
- ☞ The Services PMI moderated slightly to 60.3 in July'24 from 60.5 recorded in Jun'24.
- ☞ Services PMI has been above 50 for the 36th consecutive month. While manufacturing PMI has been above 50 for the 37th consecutive month.
- ☞ Composite PMI, a combination of manufacturing and services indices posted at 60.7 in July'24 compared to 60.9 in Jun'24, down from 61.9 recorded in July'23.

Insights

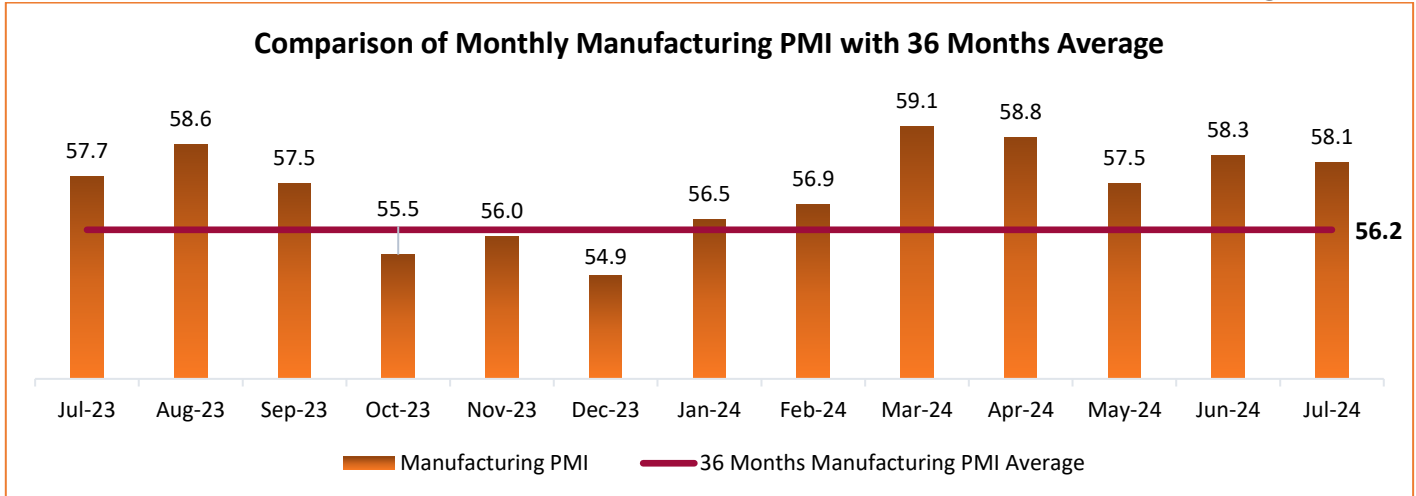
- ☞ Manufacturing PMI was above its 36-month average, driven by international sales and buoyant demand.
- ☞ Despite a slight slowdown in services sector, new business growth remained strong driven by domestic demand and technology investments.
- ☞ Input cost pressures are building up in both manufacturing and services sectors, leading to rising business expenses and prices.
- ☞ Composite PMI, indicated robust expansion in July, with new orders rising from both domestic and international markets.
- ☞ A reading above 50 means expansion while one below it shows contraction.



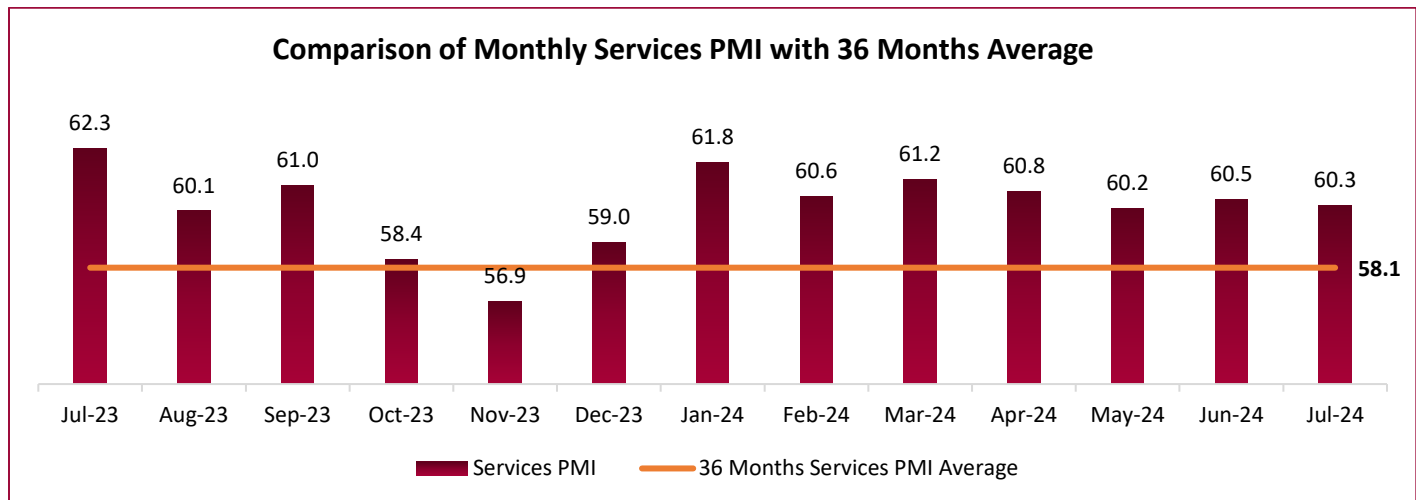
Source: HSBC India, S&P Global, EIC PNB

Views:

Headline manufacturing PMI showed strong growth in the manufacturing sector. Services PMI also declined marginally, but was supported by strong international sales and domestic demand.



At 58.1, while PMI manufacturing was slightly lower than the previous month, it was well above the long period average. While the rate of growth for new orders and output eased slightly, it remained sharp compared to historical data. There was a substantial increase in international sales, marking one of the fastest expansions in over 13 years. Input costs rose at one of the quickest rates in nearly two years, leading to the steepest increase in selling prices since October 2013. Positive sentiment towards future output remained high, supported by marketing efforts and new client enquiries.



Service sector activity rose at a slightly slower pace compared to June, as indicated by PMI services. International sales grew at the third-fastest rate in nearly ten years, with notable contributions from countries like Austria, Brazil, China, Japan, Singapore, the Netherlands, and the US. Higher wage and material costs continued to elevate business expenses, with the rate of inflation increasing from June. The rise in prices charged for services reached the steepest level in seven years. Service firms remained optimistic about the year-ahead outlook, driven by favorable economic conditions and positive expectations for demand and sales.

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