

Macro Insights

05th September 2024

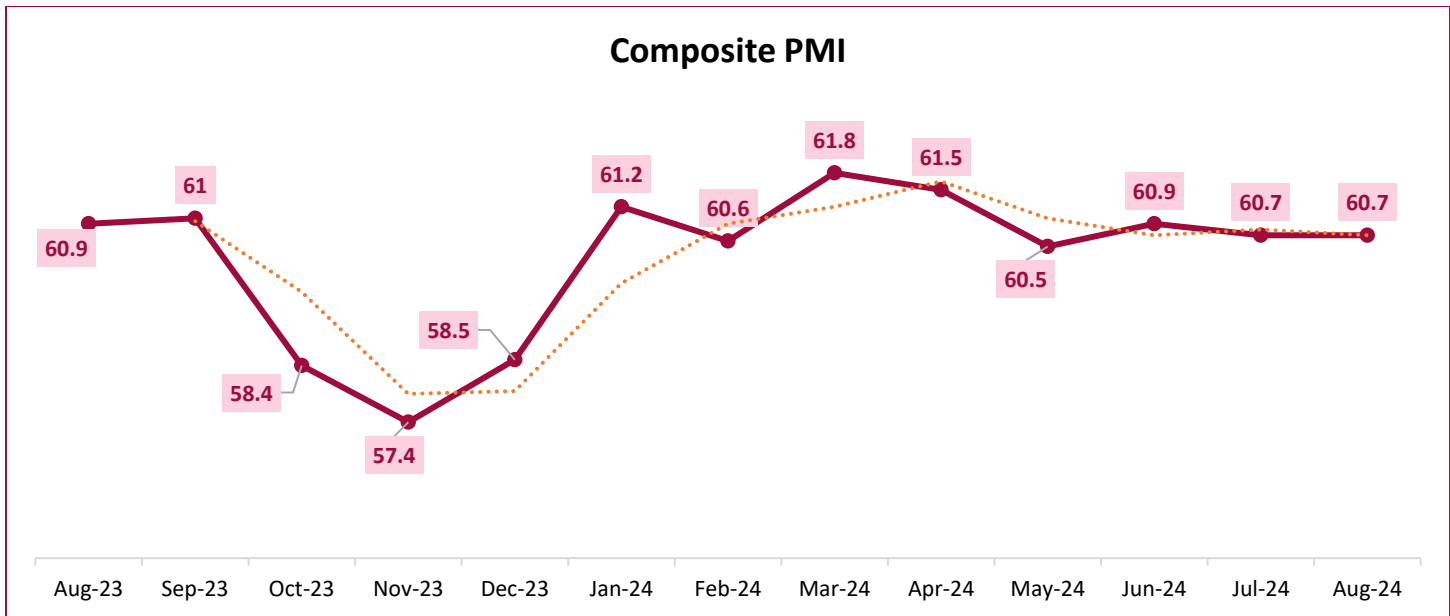
Smriti Behl, Economist

Highlights

- ☞ The Manufacturing Purchasing Managers' Index (PMI) stood at 57.5 in Aug'24, declining from 58.1 recorded in July'24, also lower than 58.6 recorded in Aug'23.
- ☞ The Services PMI recorded an uptick to 60.9 in Aug'24 from 60.3 recorded in July'24.
- ☞ Services PMI has been above 50 for the 37th consecutive month. While manufacturing PMI has been above 50 for the 38th consecutive month.
- ☞ Composite PMI, a combination of manufacturing and services indices posted flat at 60.7 in Aug'24 same as July'24.

Insights

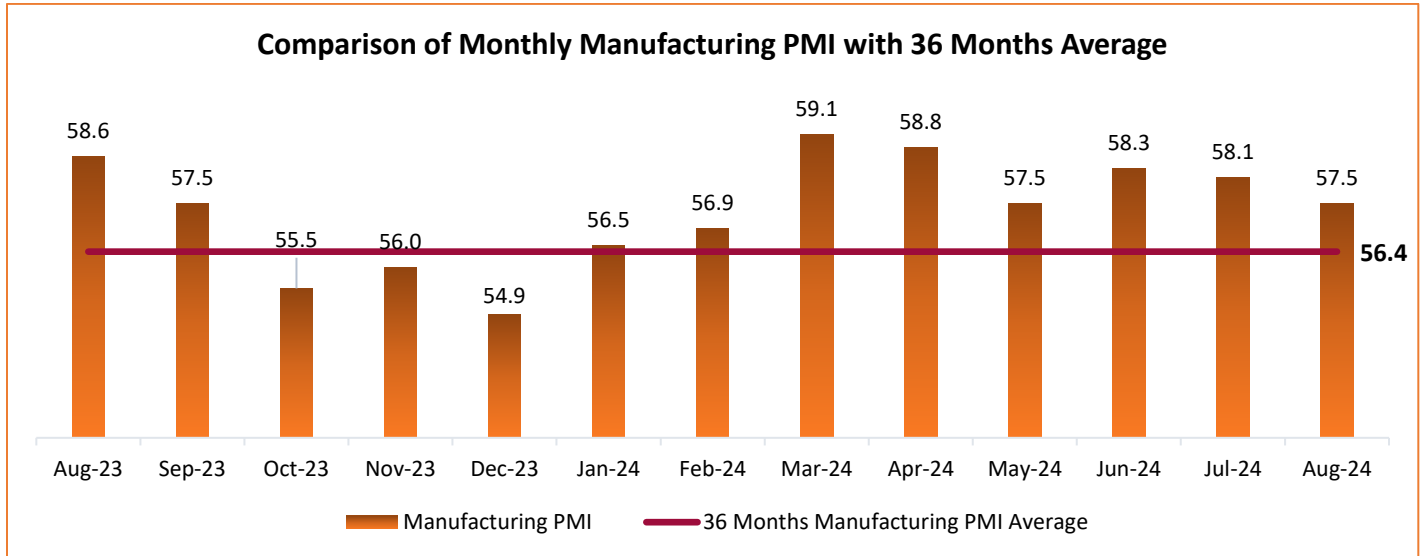
- ☞ Manufacturing PMI, although lower than its July reading, was above its long run average of 54, indicating improvement in operating environment.
- ☞ Recording the strongest rate of expansion since March, PMI services was well above its long run average driven by stringer expansions in business activity.
- ☞ Composite PMI, remained at the same level, comfortably above its long run average of 54.6.
- ☞ Both manufacturers and their service sector counterparts noted an easing of input cost pressures in August.
- ☞ A reading above 50 means expansion while one below it shows contraction.



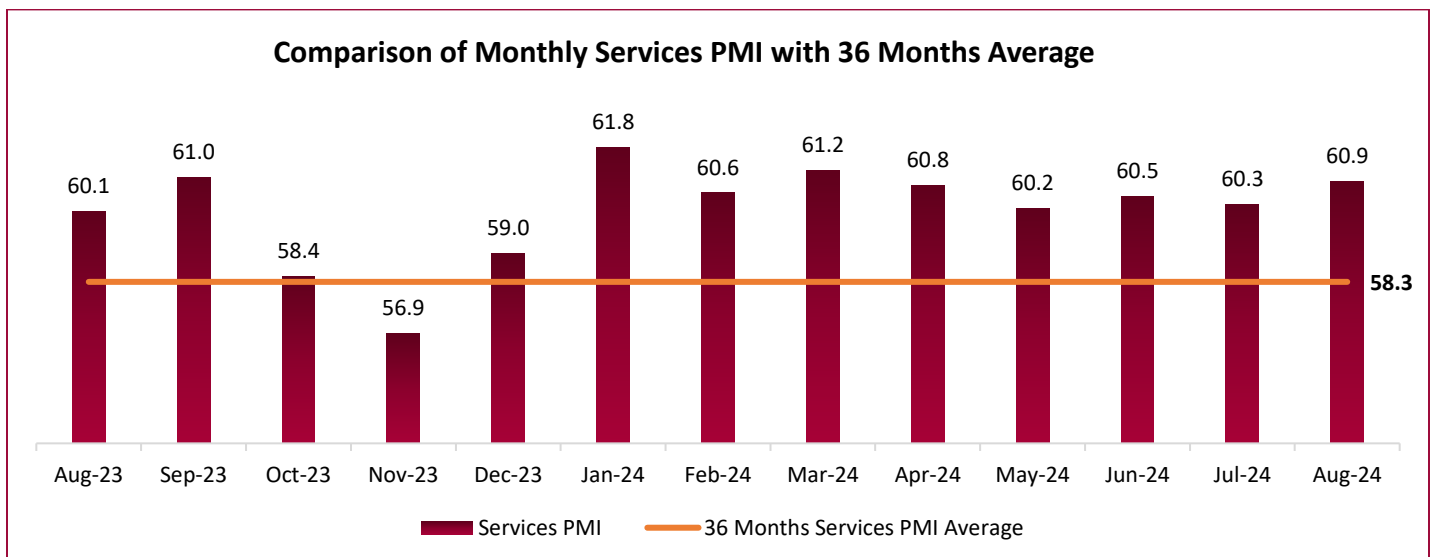
Source: HSBC India, S&P Global, EIC PNB

Views:

Headline manufacturing PMI showed softer increases in output and sales since Jan’24. Services PMI witnessed an uptick, signaling a strong start to the second quarter in the current fiscal.



At 57.5, while PMI manufacturing was lower than the previous month, it was still above the 36-month average. The pace of increase in new orders and output slowed, due to competitive pressures and shifting consumer preferences. Export growth slowed to the weakest rate since the start of 2024, although international sales continued to rise, especially in markets like Asia, Africa, Europe, and the US. Input cost inflation eased to the lowest level in five months, allowing firms to raise pre-production inventories significantly. Despite this, selling prices increased at the second-fastest rate in nearly 11 years due to strong demand. Job creation slowed slightly, but employment levels remained solid. Business confidence levels dipped to their lowest since April 2023.



Service sector activity rose at the sharpest pace since March, as indicated by PMI services. New orders increased at a faster pace, especially in domestic markets. Export growth slowed, but demand remained strong from regions like Asia, Australia, and the US. Input cost inflation dropped to its lowest level in four years, leading to a slowdown in output charge inflation. Confidence in future growth slipped to a 13-month low due to competitive pressures, although firms remained generally optimistic.

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