

Macro Insights

6th January 2025

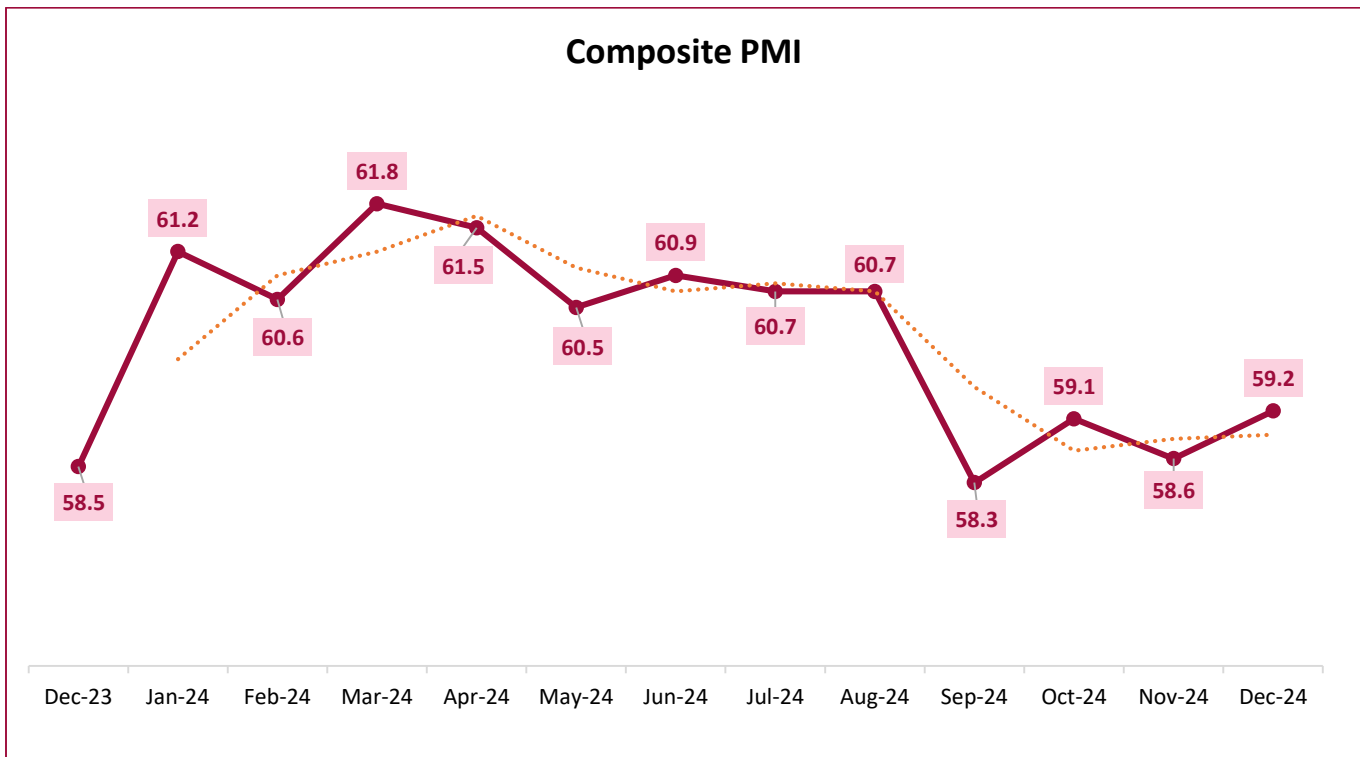
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Highlights

- ☞ The Manufacturing Purchasing Managers' Index (PMI) stood at 56.4 in Dec'24, down from 56.5 recorded in Nov'24, higher than 54.9 recorded in Dec'23. Manufacturing PMI has been above 50 for the 42nd consecutive month.
- ☞ The Services PMI recorded 59.3 which was higher than 58.4 recorded in Nov'24. Services PMI has been above 50 for the 41st consecutive month.
- ☞ Composite PMI, a combination of manufacturing and services indices increased to 59.2 in Dec'24, from 58.6 recorded in Nov'24.

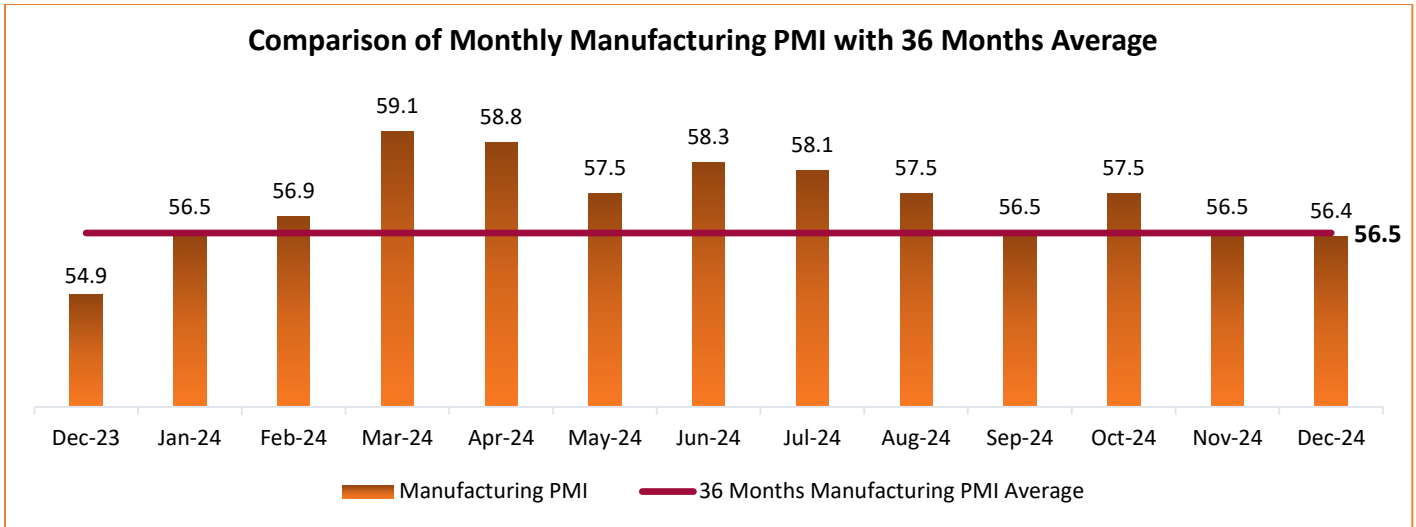
Insights

- ☞ Manufacturing PMI growth was lagged by softer expansion in factory orders and production.
- ☞ Growth in services sector continued its momentum on the back of a consistent demand that led to a significant rise in business output.
- ☞ Manufacturers and their counterparts in the service sector maintained the momentum of job creation in December also. The manufacturing sector experienced an improved growth in employment, while the services sector observed a slower growth.
- ☞ A reading above 50 means expansion while one below it shows contraction.

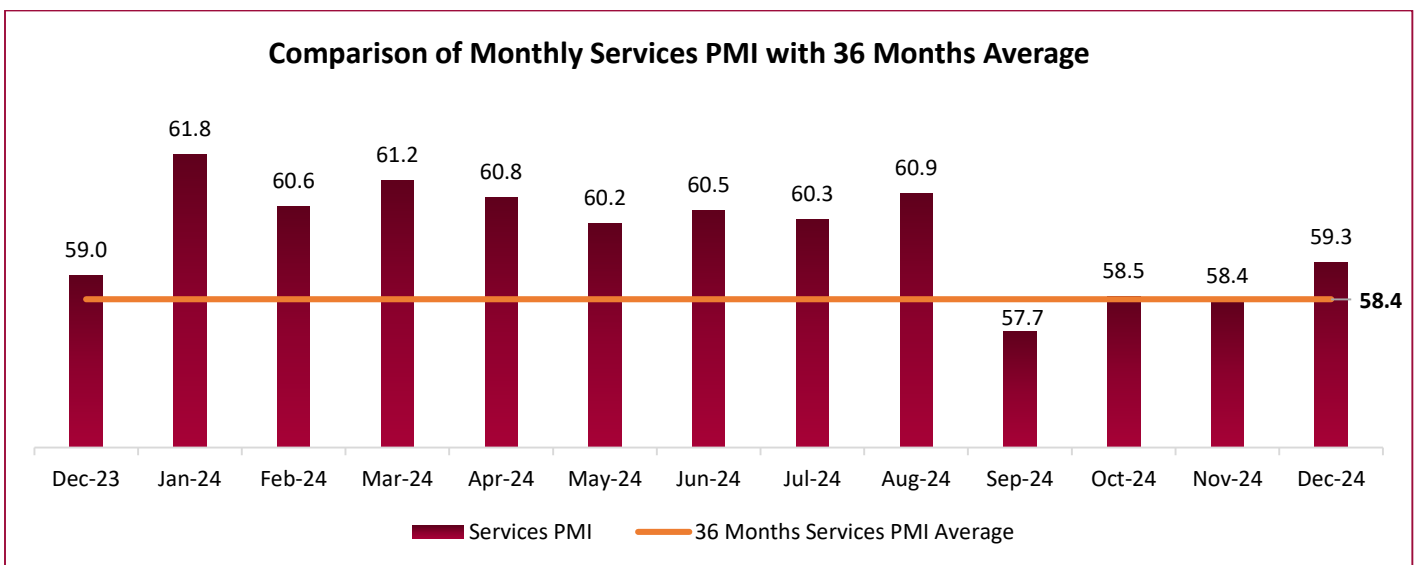


Source: HSBC India, S&P Global, EIC PNB

Analysis:



- ☞ At 56.4, PMI manufacturing was marginally lower than the previous month and also with the 36-month average of 56.5.
- ☞ The rates of expansion in new export sales was slower than the total new business but later gained momentum as firms were able to secure international orders from across the globe.
- ☞ The total expenses rose as a result of increased costs associated with containers, materials, and labour. In response to this financial strain, producers raised their selling prices.
- ☞ Employment growth and creation in manufacturing sector had continued its momentum for the past 10 months.
- ☞ Business confidence levels remained elevated during this period, bolstered by anticipations of increased output, supported by marketing initiatives, which are expected to yield favorable investment returns.



- ☞ At 59.3, PMI Services increased from the previous month and was also higher than the 36-month average of 58.4.
- ☞ The service sector experienced a more moderate increase in cost pressures, even as there were ongoing reports of heightened expenditures on food, labour and materials. Additionally, the selling prices showed a decline, although it continued to exceed its historical averages.
- ☞ Employment in the service sector continued to grow, as businesses credited the increase in demand to enhanced capacities, allowing them to manage a greater volume of work.

Outlook:

The enhancements to the manufacturing and service sectors outlined in Budget 2025 may influence supply chains, consumer demand, and long-term investments within these industries. The fiscal measures implemented by the government will play a crucial role in shaping the trajectory of both sectors in the upcoming year. Additionally, the policy shifts following Trump's assumption of the presidency are expected to have a considerable effect on these sectors. A collaborative integration of both domestic and international factors is expected to result in significant changes in manufacturing and service operations in the future.

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