

Macro Insights

08th May 2024

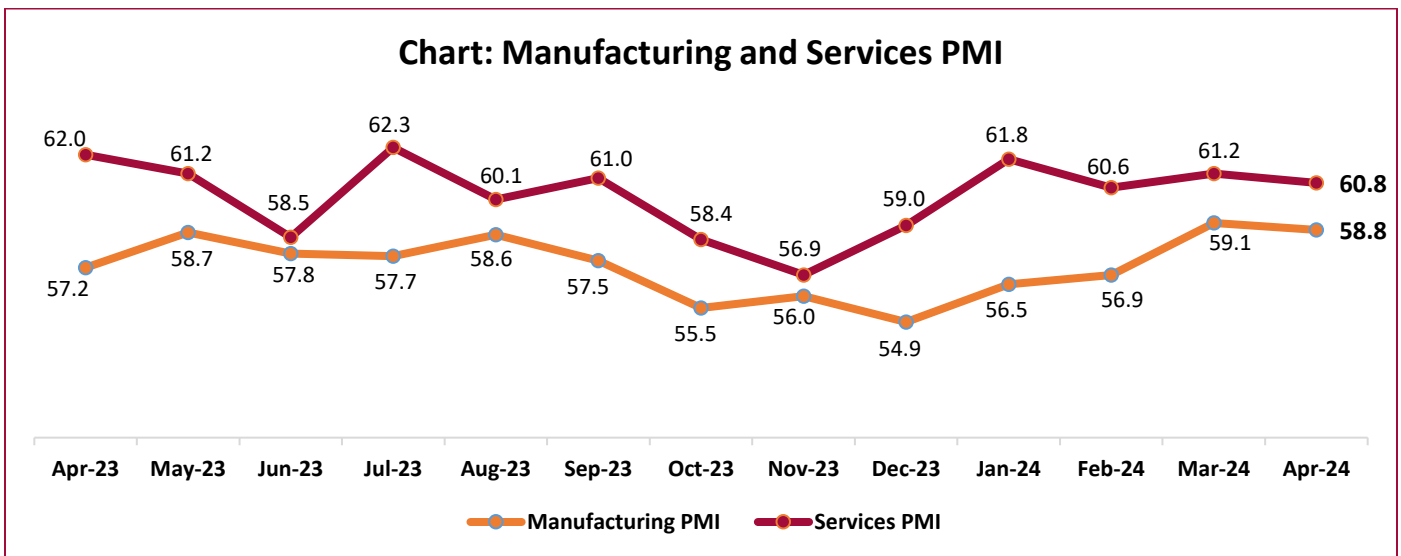
Highlights:

- ☞ The Manufacturing Purchasing Managers' Index (PMI) fell to 58.8 in April'24 from 16-year high of 59.1 recorded in March'24 and stands higher than 57.2 recorded in April'23.
- ☞ The Services PMI fell to 60.8 in April'24 from 61.2 recorded in March'24 and stood lower than 62.0 recorded in April'23.
- ☞ Services PMI has been above 50 for the 33rd consecutive months. While manufacturing PMI has been above 50 for the 34th consecutive months.
- ☞ Composite PMI, a combination of manufacturing and services indices fell to 61.5 in April'24 from 61.8 in March'24 and stands lower than 61.6

Insights:

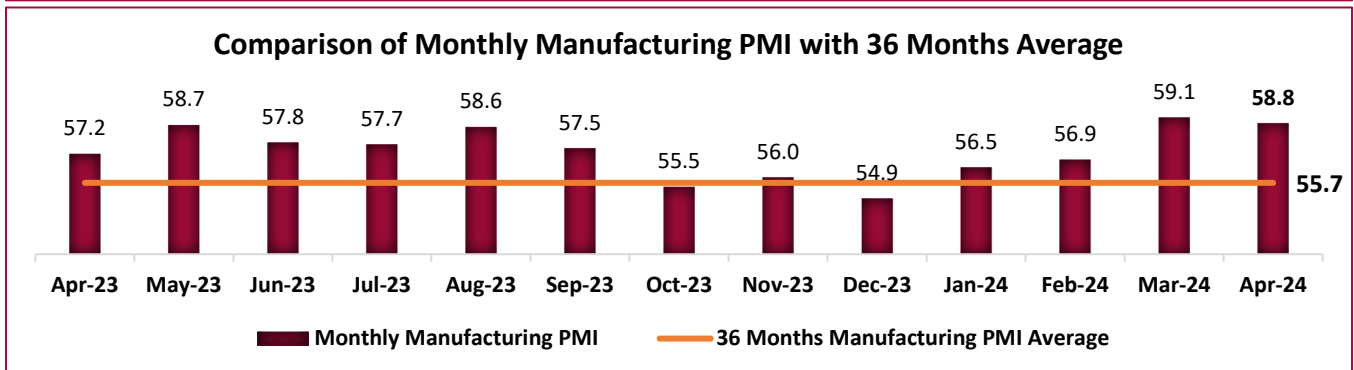
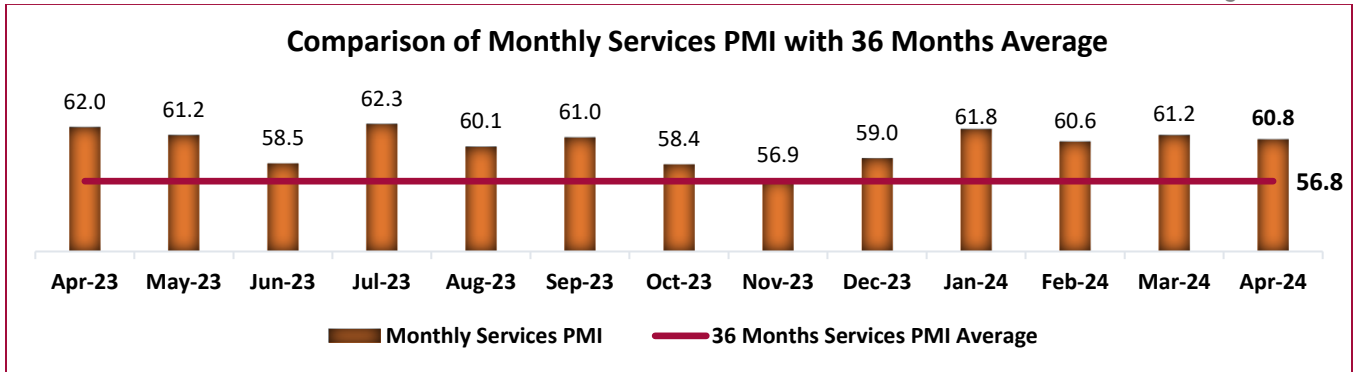
- ☞ A reading above 50 means expansion while a reading below it shows contraction.
- ☞ Despite falling from 59.1 in March'24 to 58.8 in April'24, the Manufacturing PMI signalled the second-best improvement in the health of the sector for three-and-a-half Years. The PMI was comfortably above both the neutral mark of 50.0 and its long-run average (53.9).
- ☞ Despite services PMI falling from 61.2 in Mar'24 to 60.8 in April'24, growth of new business and output remained sharp and among the fastest in 14 years.

Chart: Manufacturing and Services PMI



Views:

Services PMI have remained above their 36 months average (since April'21) of 56.8 in the last one year. Manufacturing PMI was above its 36 months average of 55.7 for four consecutive months after falling below it in December'23.



PMI manufacturing fell marginally but firms experienced a sharp upturn in new business intakes, and scaled up production accordingly. Input stocks lifted to one of the greatest extents seen in over 19 years. Manufacturers reported robust demand for their goods in April, both from domestic and external clients with total new orders rising sharply. Other sources of sales gains were Asia, Australia, Europe and the Americas. To fulfil current and expected improvements in demand, manufacturers hired additional staff but the pace of job creation was moderate. Manufactures increased their selling prices due to increase in material and labour cost.

Services PMI remained above 60 for the 4th consecutive month as growth of new business and output remained sharp and among the fastest in 14 years. In addition to buoyant domestic demand, firms noted new business gains from several parts of the world spanning countries in Asia, Africa, Europe, the Americas and Middle East. Business activity increased across the four sub-categories, led by steep growth in Finance & Insurance. Services companies observed the second-fastest increase in new export business in the last ten years, behind only that seen in March. Due to higher input and labour costs, operating expenses continued to increase in April.

With interest rate cut expected this year and both Manufacturing & Services PMI being above 58, and on an increasing trend, the current growth momentum in the Indian economy is expected to continue.

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