Economic Intelligence Cell

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Macro Insights

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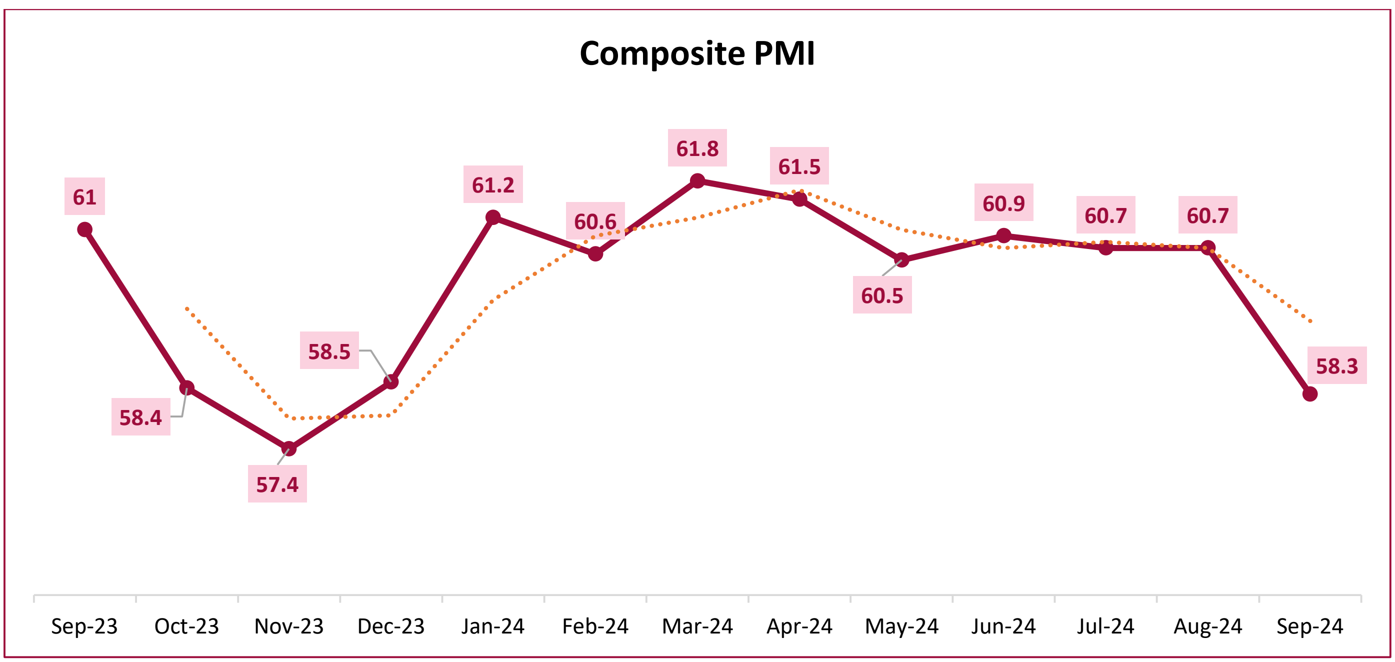
Highlights

- The Manufacturing Purchasing Managers' Index (PMI) stood at 56.5 in Sep'24, declining from 57.5 recorded in Aug'24, also lower than 57.5 recorded in Sep'23.
- The Services PMI also recorded a decline to 57.7 in Sep'24 from 60.9 recorded in Aug'24.
- Services PMI has been above 50 for the 38th consecutive month. While manufacturing PMI has been above 50 for the 39th consecutive month.
- Composite PMI, a combination of manufacturing and services indices stood at 58.3 in Sep'24, declining from 60.7 recorded in Aug'24.

Insights

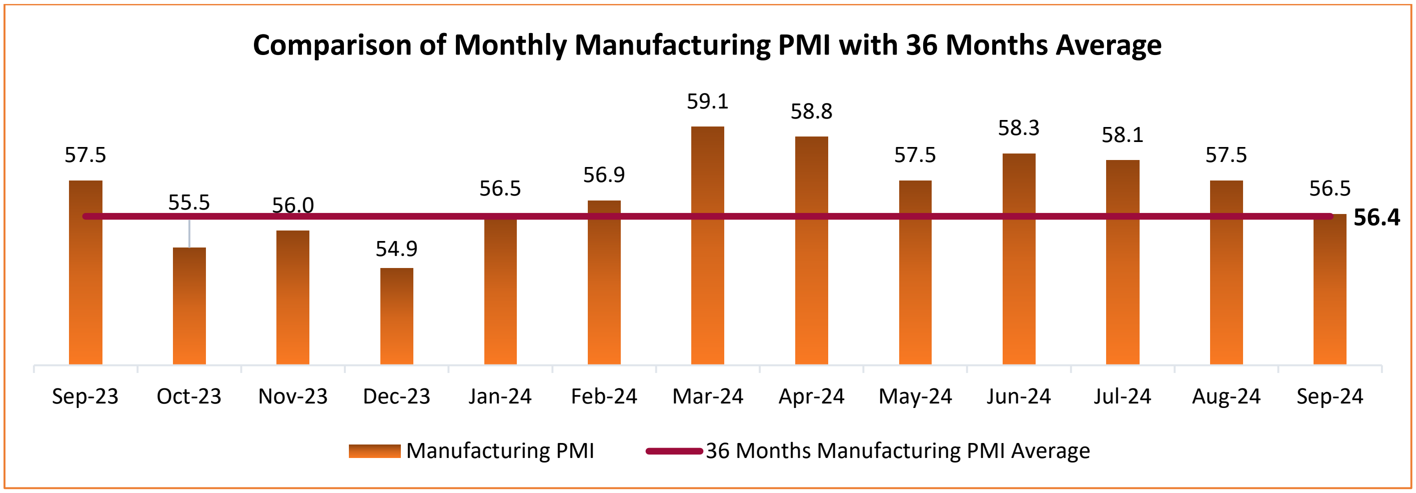
- Manufacturing PMI, marked an eight-month low, primarily due to reduced demand both domestically and internationally.
- Recording the lowest rate of expansion in the last ten months, Services PMI reduction was primarily due to weaker demand and cost pressures.
- Composite PMI also marked its lowest point since November 2023, signalling a slowdown in private sector growth.
- Both manufacturers and their service sector counterparts noted an increase of input cost pressures in September.
- A reading above 50 means expansion while one below it shows contraction.



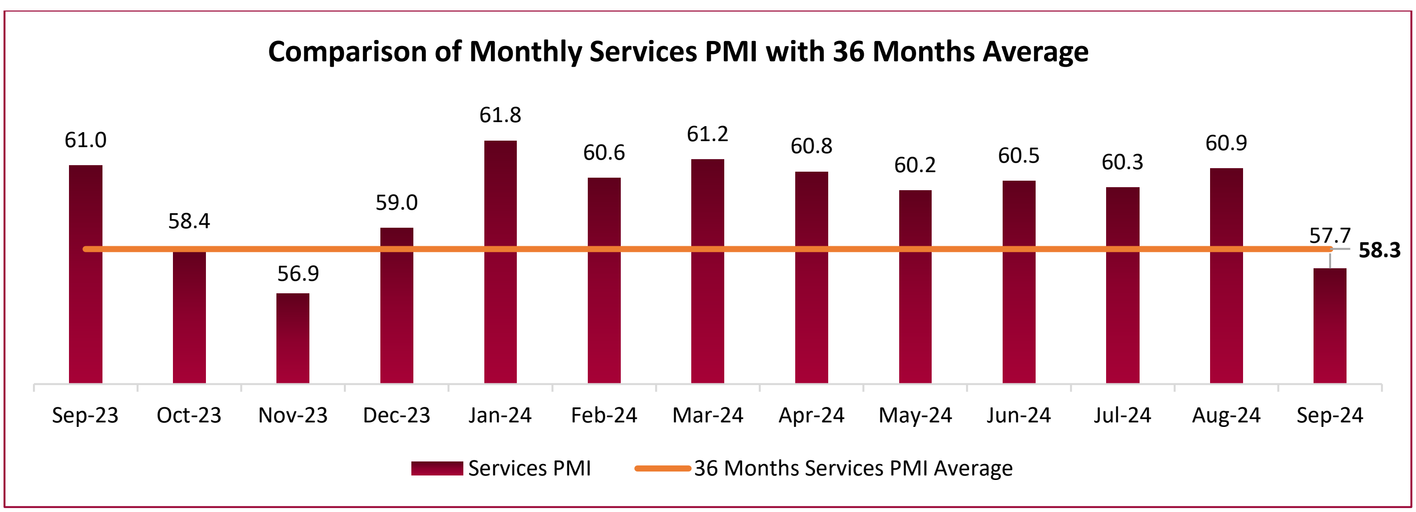
Source: HSBC India, S&P Global, EIC PNB

Views:

The manufacturing PMI slowdown due to cost pressure and reduced demand suggest an overall slowdown in the economy impacting growth. The slowdown in demand and rising costs need to be kept under the line to improve the services PMI in coming months.



At 56.5, while PMI manufacturing was lower than the previous month, it was marginally above the 36-month average. The rates of expansion in factory production and sales receded, both of which were at their weakest since the turn of the year but above their respective long-run averages. The output and new orders grew at a slower pace, international orders rose at the slowest pace in a year-and-a-half. Cost pressures ticked higher in September, citing increased chemical, packaging, plastic and metal prices. However, factory gate price inflation eased to an extent, compressing profit margins for manufacturers. Employment growth also decelerated as companies took a more cautious approach to hiring due to weakened profit margins. Business confidence levels dipped to their lowest since April 2023.



At 57.7, PMI Services was lower than the previous month and also lower than the 36-month average. New business inflows grew at their slowest pace since November 2023, and international demand also softened, suggesting that global economic uncertainties may be impacting service exports. Input costs saw an uptick, driven by higher prices for essentials like food and energy. However, service providers increased their prices at a relatively slower rate, indicating potential pressure on profit margins. The rate of expansion moderated to the weakest in 2024 so far in case of new orders. The employment in the sector continued to expand, as firms remained optimistic about future growth prospects. This hiring trend has been consistent for over two years.

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