

Macro Insights

05th February 2024

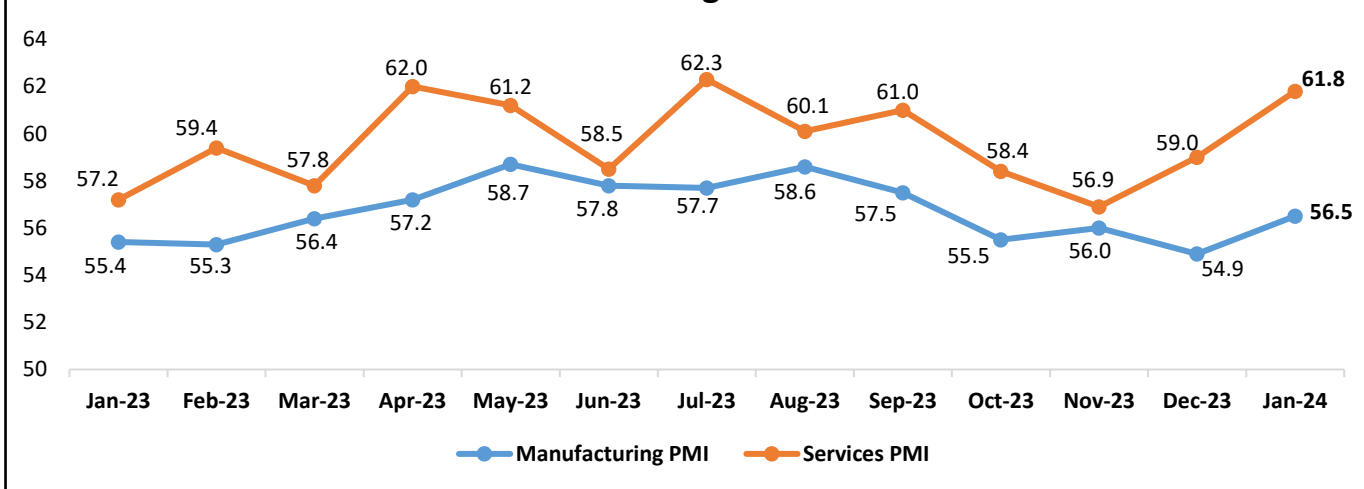
Highlights:

- The services purchasing managers' index (PMI) rose to 61.8 in January'24 from 59.0 recorded in December'23 and it is also higher than 57.2 recorded in January'23.
- Services PMI are highest since July'23 and has been above 50 for the 30th consecutive month. While manufacturing PMI has been above 50 for the 31st consecutive month.
- The manufacturing PMI increased to 56.5 in January'24 from 54.9 in December'23 and stands higher than 55.4 of January'23.
- Therefore, the composite PMI, a combination of the manufacturing and services indices rose to 61.2 in January'24 from 58.5 in December'23 and stands higher than 57.5 of January'23.

Views:

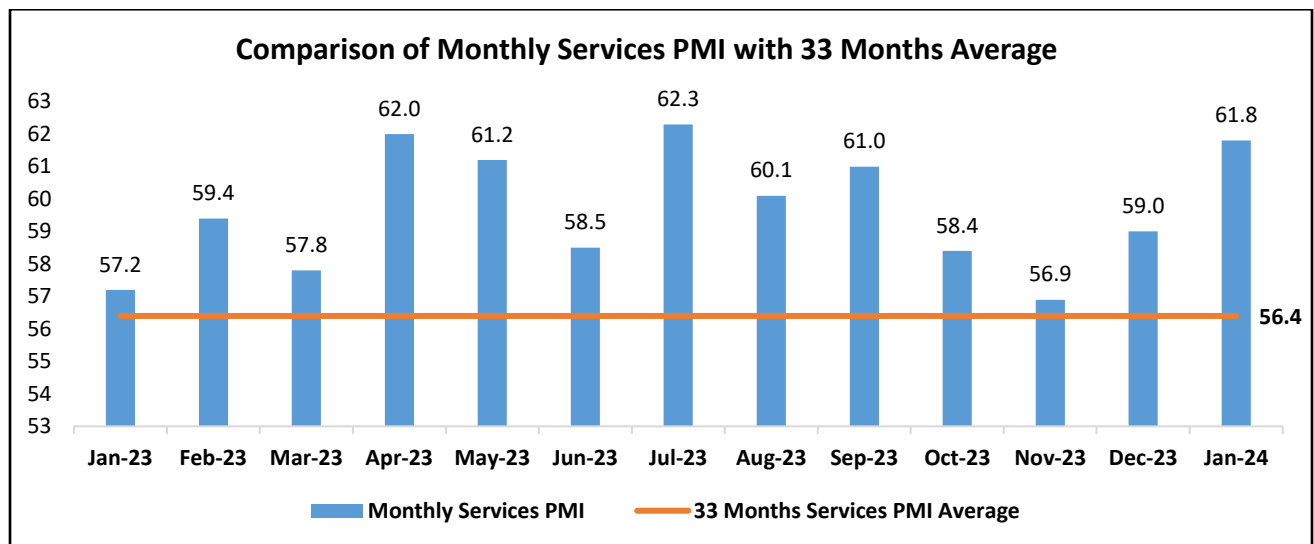
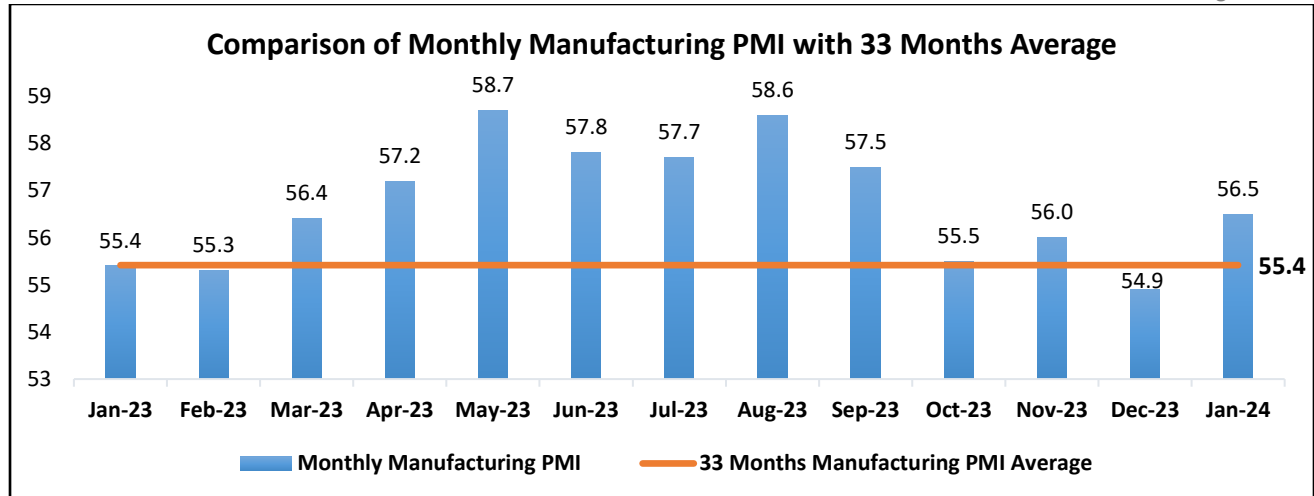
- A reading above 50 means expansion while a reading below it shows contraction.
- India's manufacturing sector PMI witnessed a rise and was highest since September 2023 owing to fastest increases in new orders and production in four months.
- Services PMI in January'24 rose to highest in 6 months due to buoyant demand from domestic and external clients. New export sales rose at the fastest pace in three months.
- Composite PMI rose to a 6 month high due to rising services and manufacturing activities.

Chart: Manufacturing and Services PMI



Insights:

Services PMI have remained above their 33 month average since April'21 but Manufacturing PMI rose above its 33 month average of 55.4 after falling below it in December'23. PMI manufacturing rose due to upturn in total sales. Positive sales developments encouraged companies to scale up production volumes. Output rose to the greatest extent in four months. This indicates that the economic activities are increasing and the Indian Economy is on a higher growth trajectory. Services PMI rose as growth was spurred by demand buoyancy, productivity gains and rising intakes of new work. A notable upturn in new export orders was also seen in January.



Impact on Interest rates:

Central banks track PMI data and incorporate them in part of their decision-making process regarding interest rates. A strong PMI would lead to the economy heating up and a contractionary monetary policy and a weak PMI would indicate expansionary monetary policy. Since the PMI numbers are moderate RBI is likely to continue with the existing policy rates.

Disclaimer: The opinion/information expressed/compiled in this note is of Bank's Research team and does not reflect opinion of the Bank or its Management or any of its subsidiaries. The contents can be reproduced with proper acknowledgement to the original source/authorities publishing such information. Bank does not take any responsibility for the facts/figures represented in the note and shall not be held liable for the same in any manner whatsoever.

For any feedback or valuable suggestions: Reach us at eicsmead@pnb.co.in

Follow our Official Page

www.pnbindia.in