

## Macro Insights

06<sup>th</sup> March 2024

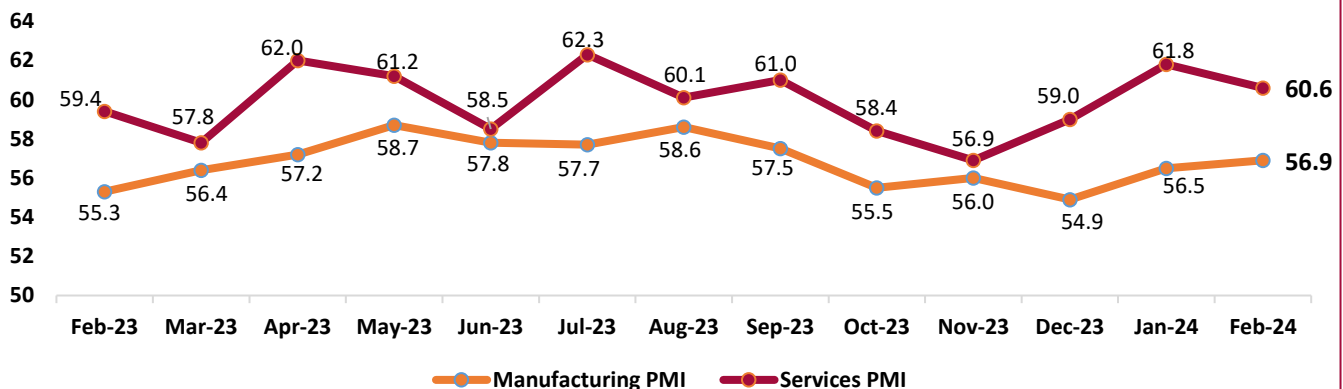
### Highlights:

- ☞ The services purchasing managers' index (PMI) moderated to 60.6 in February'24 from 61.8 recorded in January'24 and it is higher than 59.4 recorded in February'23.
- ☞ Services PMI has been above 50 for the 31st consecutive month. While manufacturing PMI has been above 50 for the 32nd consecutive month.
- ☞ The manufacturing PMI increased to 56.9 in February'24 from 56.5 in January'24 and stands higher than 55.3 of February'23.
- ☞ Therefore, the composite PMI, a combination of the manufacturing and services indices fell to 60.6 in February'24 from 61.2 in January'24 but stands higher than 59 recorded in February'23.

### Insights:

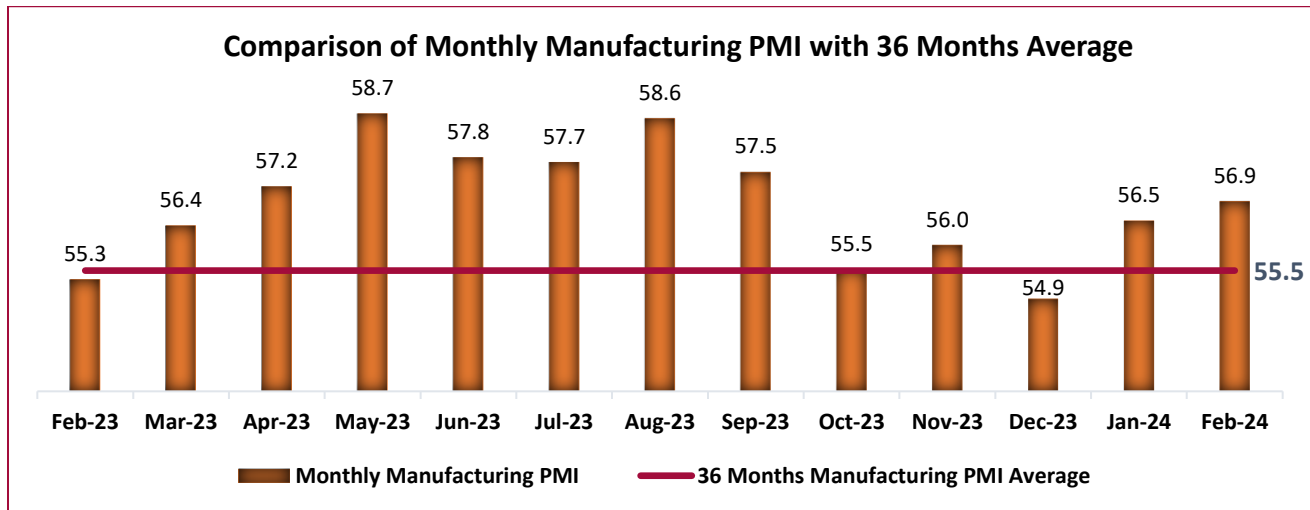
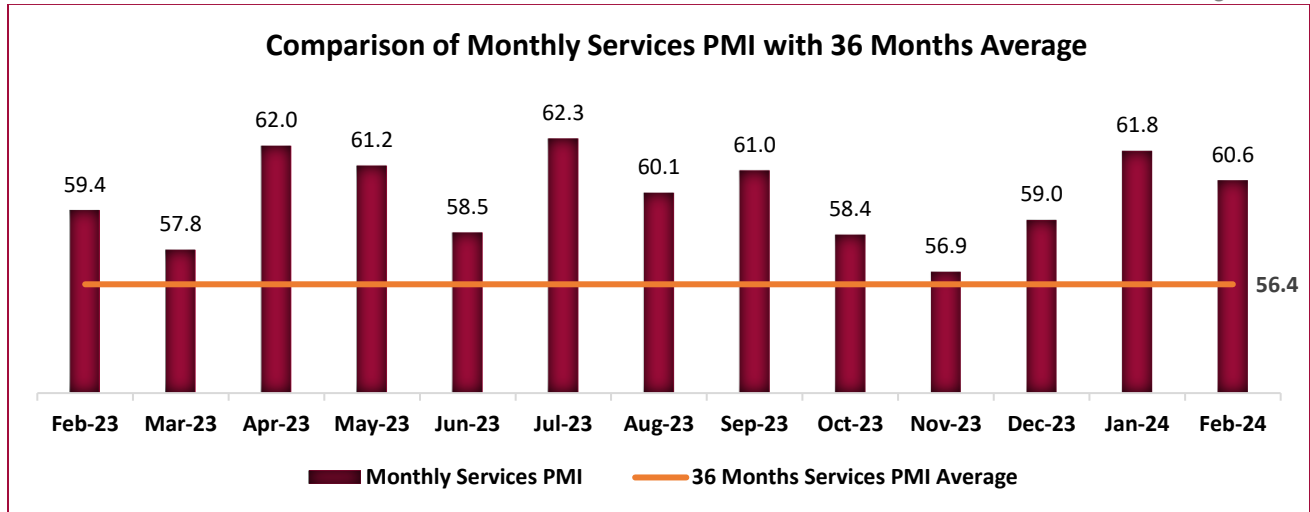
- ☞ A reading above 50 means expansion while a reading below it shows contraction.
- ☞ India's manufacturing sector PMI witnessed a rise and was highest since September 2023. Manufacturing sector continued its recovery in February, from an 18-month low in December'23, owing to growth of factory production and strongest expansion in exports since May 2022.
- ☞ Services PMI in February'24 moderated due to a slowdown in growth in new orders and output but business activity increased across all parts of the service sector. New business placed from abroad with services firms in India rose for the thirteenth successive month.

Chart: Manufacturing and Services PMI



### Views:

Services PMI have remained above their 36 month average (since March'21) of 56.4 in the last one year. Manufacturing PMI was above its 36 month average of 55.5 for second consecutive month after falling below it in December'23. PMI manufacturing increased as production rose at the fastest pace in five months, quickest increase in sales since last September and the strongest expansion in new export orders for 21 months. Services PMI remained above 60 as business activity increased across all parts of the service sector. Finance & insurance saw the strongest pace of growth, while real estate & business Services registered the slowest rise. International sales expanded at the best rate in last nine-and-a-half-years with sales expanding in Australia, Asia, Europe, the Americas and UAE.



## Impact on Growth & Interest rates:

Central banks track PMI data and incorporate them in part of their decision-making process regarding interest rates. A strong PMI would indicate the economy heating up and a contractionary monetary policy. A weak PMI would indicate slower growth and an expansionary monetary policy. Since both manufacturing & services PMI are above 55 the growth momentum in the Indian economy is expected to continue.

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