

Macro Insights

06th December 2023

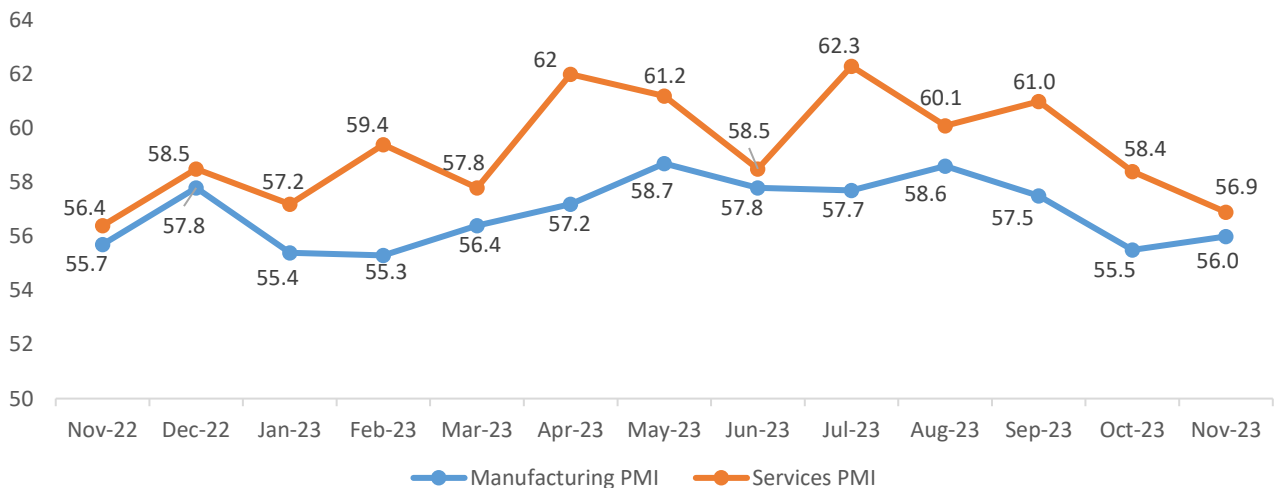
Highlights:

- The services purchasing managers' index (PMI) fell to 56.9 in November'23 from 58.4 recorded in October'23 but it is still marginally higher than 56.4 recorded in November'22.
- The services PMI has been above 50 for 28th consecutive month but this is the lowest in 2023 while manufacturing PMI has been above 50 for 29 months consecutively.
- The manufacturing PMI increased to 56.0 in November'23 from 55.5 in October'23 and stands marginally higher than 55.7 of November'22.
- Therefore, the composite PMI, a combination of the manufacturing and services indices, fell to year low of 57.4 in November'23 from 58.4 in October'23 but stands higher than 56.7 of November'22.

Views:

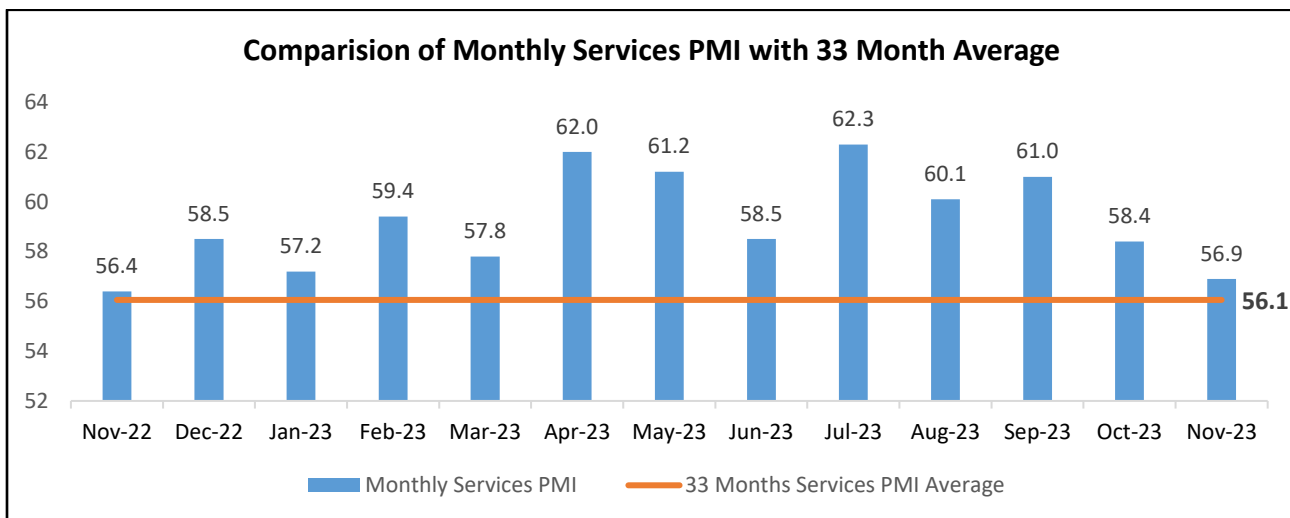
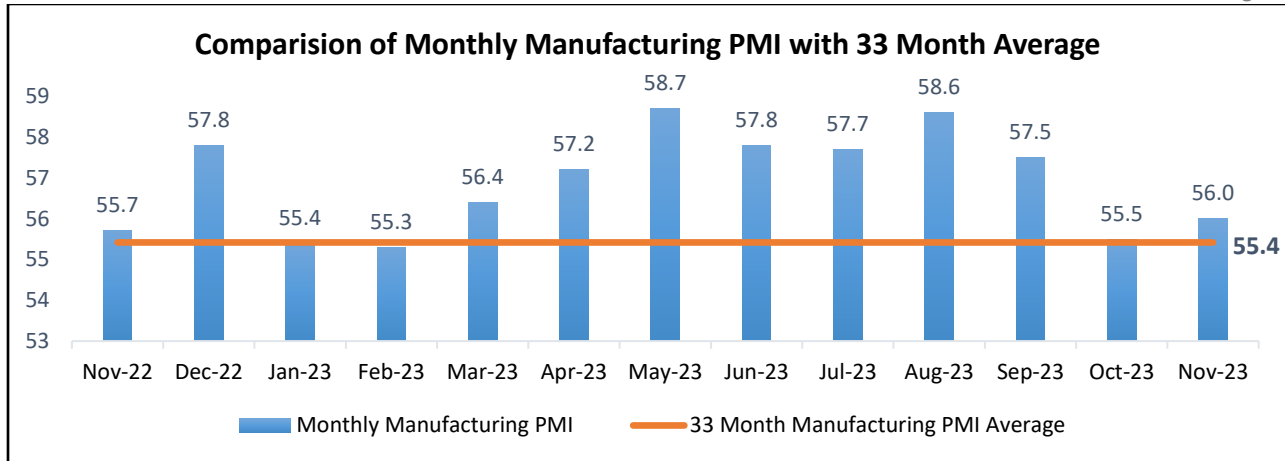
- A reading above 50 means expansion while a reading below it shows contraction.
- India's services sector PMI witnessed a drop owing to slowing growth for both new orders and output across key services but they were nevertheless sharp and well above their respective long-run averages.
- Manufacturing PMI in November'23 rose from its lowest in last 8 months in October'23 due to strengthening demand and low input costs.
- Composite PMI declined due to slowing services activities while manufacturing PMI showed signs of recovery and prevented a steeper decline of composite PMI.

Chart: Manufacturing and Services PMI



Insights:

Both the manufacturing and services PMI have remained above their 33 month average since March'21 even when the services PMI fell this month compared to the previous month. This indicates that the economic activities are increasing and the Indian Economy is on a higher growth trajectory.



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.

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