

June manufacturing PMI at 14-month high on export demand

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Manufacturing in India ended the first quarter on a positive note as the Purchasing Managers' Index (PMI) surged to a 14-month high at 58.4 in June, S&P Global reported on Tuesday.

It is worth noting that although the job situation improved, price pressure on inputs also eased.

"Robust end demand fuelled expansions in output, new orders and job creation. To keep up with strong demand, particularly from international markets as evidenced by the substantial rise

in new export orders, Indian manufacturing firms had to tap deeper into their inventories, causing the stock of finished goods to continue shrinking," said Pranjul Bhandari, Chief India Economist at HSBC.

The index is derived based on responses from purchasing managers of 400 companies. The index is released well in advance of government data and plays a crucial role in policy-making. An index above 50 indicates expansion, while one below 50 signifies contraction.

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S&P Global reported that one of the fastest increases



in external orders in the over 20-year survey history occurred in June.

Producers of goods increased input buying to the greatest extent in 14 months, which supported a further expansion in stockpiles of purchases. Regarding the job scenario, the report stated

that outstanding business volumes increased in June after remaining stagnant in May.

"Coupled with robust sales, this boosted hiring among manufacturers. Employment rose at a survey record pace, with panellists mostly pointing to short-term recruitment," it said. Manufacturing contributes 17 per cent to India's GDP. Additionally, it is considered a sector with a job multiplier effect. Regarding prices, the report noted that input price inflation had retreated to a four-month low despite rising iron and steel costs. The rate of increase was negligible relative to the series

average. Average selling prices rose markedly, however, as several firms sought to share additional cost burdens (including freight, labour and materials) with clients. In some instances, companies attributed upward revisions to demand buoyancy. "Finally, input prices moderated while average selling prices rose as some manufacturers passed on additional cost burdens to clients," said Bhandari.

The outlook for the manufacturing sector remained positive in June. That said, uncertainties surrounding competition, inflation and changes in consumer preferences weighed on sentiment.