

At 56.4, manufacturing PMI scales eight-month high

Aggregate new order intakes rise substantially; job market still muted

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Manufacturing sector showed an impressive growth in July as the Purchasing Managers' Index (PMI) surged to an 8-month high of 56.4. It was at 53.9 in June. However, despite better performance, the job situation was subdued.

The Indian manufacturing industry recorded a welcome combination of faster economic growth and softening inflation during July, said Pollyanna De Lima, Economics Associate Director at S&P Global Market Intelligence.

Although the upturn in demand gained strength, there were clear signs that capacity pressures remained mild as backlogs rose only



marginally, she added. "Purchasing activity growth ticked higher in July and firms were successful in their efforts to obtain inputs amid a second consecutive improvement in supplier performance. This, in turn, supported a near-record increase in inventories of raw materials and semi-finished goods as well as a softer upturn in input costs," she highlighted.

The upturn in manufacturing sector was broad-based by sub-sector, and led by investment goods. Aggregate new order intakes rose substantially in July, reclaiming the growth momentum lost in June.

Although international markets contributed to the latest upturn in total order books, there was a noticeable slowdown in external sales. New export orders rose at a moderate pace that was the weakest in the current four-month period of growth.

Job scenario

The survey found that the overall job creation remained subdued. "The vast majority of firms (98 per cent) opted to leave workforce numbers unchanged amid a lack of pressure on operating capacity," survey result said.

Another factor that constrained hiring activity was future uncertainty. Despite improving from June's 27-month low, the overall level of business sentiment was muted. In fact, 96 per cent of manufacturers forecast no change in output from present levels over the course of the coming 12 months.