

Manufacturing PMI softens to 3-month low

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Indian manufacturing continued to maintain strong growth momentum at the start of the third quarter amid ongoing buoyant demand, even as the Purchasing Managers' Index (PMI) for the sector fell slightly to a three-month low of 57.7 in July from 57.8 in June, said a private survey on Tuesday.

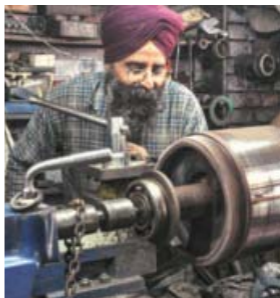
The July figure marked 25 months of the index remaining above the 50-mark, separating expansion from contraction. A survey print above 50 indicates manufacturing expansion and below marks contraction.

“Reports of demand improvements were widespread across the latest survey, and resulted in another marked expansion of new orders in the sector. The rapid increase was broadly in line with that seen in the previous survey period,” said the survey by the global credit rating agency. The survey said that the rate of expansion in output and new orders was only marginally softer than in June, as firms expanded their employment and purchasing activity accordingly with cost inflationary pressures remaining relatively muted.

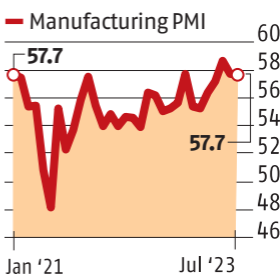
“The Indian manufacturing sector showed little sign of losing growth momentum in July as production lines continued to motor on the back of strong new order growth,” said Andrew Harker, economics director, S&P Global Market Intelligence.

The survey said the growth in new export business picked up to the fastest since November, as respondents noted increases in new orders from customers in the United States, Bangladesh and Nepal.

“With new orders up sharply again, manufacturers expanded production accord-



STRONG SHOW



A survey print above 50 indicates manufacturing expansion and a print below 50 marks contraction

Source: S&P Global

ingly. Output has increased continuously on a monthly basis since July 2021. The latest rise was substantial, albeit the softest in three months,” said the survey.

Besides, to manage greater workload, firms responded by taking on extra staff as the pace of job creation was broadly in line with those seen in May and June. However, this expansion in capacity was not sufficient to prevent a further build-up in backlogs of work, as outstanding business increased for the nineteenth successive month, albeit only slightly.

Stocks of purchases also rose rapidly as companies expressed a desire to build inventories given the buoyant demand environment. The rate of input cost inflation accelerated to a nine-month high in July, but remained softer than the series average. Where input prices increased, panellists reported higher costs for raw materials, in particular cotton.