

Manufacturing PMI rises to 26-month high in December

Demand strength key among reasons for improvement

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The purchasing managers' index (PMI) for manufacturing rose to 57.8 in December, marking the highest increase in new factory orders and production in 26 months. The average headline figure of 56.3 for the third quarter of FY23 was the highest in a year.

The survey released by S&P Global on Monday reflected factories hiring more people and increasing purchases. In PMI parlance, a print above 50 indicates expansion in manufacturing, while one below that represents contraction. Manufacturing PMI came in at 55.7 in November 2022.

The survey noted that the December data highlighted a further increase in buying levels among goods producers as the rate of expansion was historically sharp and the strongest since May 2022.

"Hiring activity was stretched to December, while more inputs were acquired as firms sought to supplement production and add to their inventories. Input cost inflation was contained, but there was a solid and quicker increase in selling prices," the survey said.

Pollyanna De Lima, economics associate director at S&P Global Market Intelligence, said Indian manufacturing wrapped up 2022 with the best expansion in production.

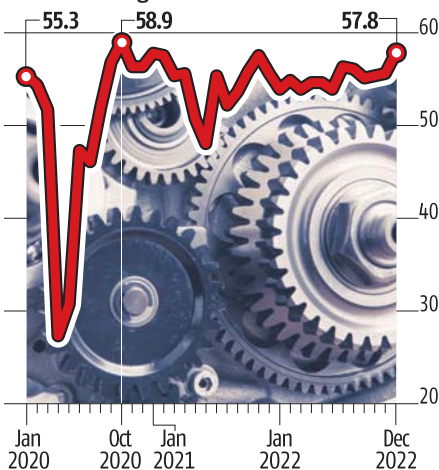
"Demand strength took centre stage among the reasons provided by firms for improvements in many measures. Additional materials were purchased and extra workers hired as companies sought to supplement production and maintain healthy levels of inventories. Input stocks rose at a near-record pace," she said.

The survey noted that goods producers hired additional staff at the end of the year to address backlogged work. The latest increase in employment was for the tenth consecutive month, but the slowest since September.

The inventory trends continued to

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Manufacturing PMI



Note: PMI is in points and a print above 50 indicates expansion in manufacturing, while one below that represents contraction
Source: S&P Global

diverge in December, with a rise in input stocks contrasting with depletion in holdings of finished products.

"Less challenging supply-chain conditions also supported the upturn. Delivery times were reportedly stable, which enabled firms to secure critical materials and boost their input stocks," De Lima said.

The survey said that cost pressures remained muted in December and the overall rate of inflation was little changed from November, which was the second-slowest since September 2020. The price reductions for some raw materials partly offset the increases elsewhere.

"On the other hand, there was a solid and quicker upturn in factory gate charges during December. Moreover, for the first time in close to two-and-a-half years, the rate of inflation for selling prices outpaced that seen for input costs", it said.