Manufacturing PMI hits 16-year high of 59.1 in March

ROBUST DEMAND. Strong growth momentum seen in new orders and job creation

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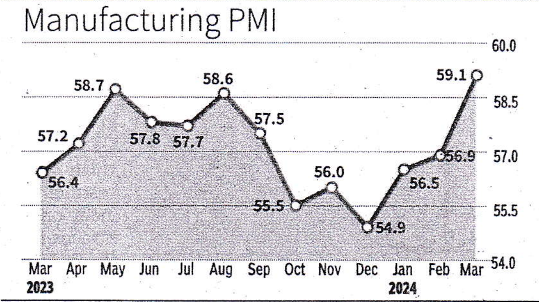
Strong growth in new orders coupled with better output pushed the Purchasing Managers' Index (PMI) for the country's manufacturing sector to a 16-year high of 59.1 in March, S&P Global said on Tuesday. The index was 56.9 in February. The good news is that job creation also gathered momentum after a lull for some time.

Manufacturing has more than 15 per cent share in the Gross Value Added (GVA) and is considered the biggest job multiplier.

"India's March manufacturing PMI rose to its highest level since 2008. Manufacturing companies expanded hiring in response to strong production and new orders. On the back of strong demand and a slight tightening in capacity, input cost inflation picked up in March," Ines Lam, Economist at HSBC, said.

The report accompanying PMI highlighted the improvement in job creation. "After leaving payroll numbers broadly unchanged in the previous two months, manufacturers in India took on additional workers in March. The pace of job creation was mild, but the best since September 2023. Anecdotal evidence highlighted the recruitment of mid-level and full-time employees," the report said.



Source: Nikkei, Markit

There were some concerns on the pricing front, but that did not induce producers to complete pass-through. "There was a mild pick-up in cost pressures during March, but customer retention remained a priority for goods producers who raised their charges to the least extent in over a year," the report said.

NEW ORDERS GROWTH

The report mentioned that growth of new orders accelerated to the quickest in nearly three-and-a-half years during March, amid reports of buoyant demand conditions. Inflows of new work strengthened from both domestic and export markets, the latter reportedly reflecting better sales to Africa, Asia, Europe and the US. New export orders increased at the fastest pace since May 2022. It may be noted that exports have been down for some time due to the geopolitical situation, so any improvement will significantly impact overall manufacturing.

This was clearly reflected in output growth. The report said that output rose for the 33rd month running in March and to the greatest extent since October 2020. Growth quickened across the consumer, intermediate and investment goods sectors. As was the case for new orders, the steepest expansion in production was seen at investment goods makers. Because of the rise in output, input supplies also recorded a rise. "Quantities of purchases increased at the quickest rate since mid-2023, and one that was among the strongest in nearly 13 years, as companies sought to build-up stocks in advance of expected improvements in sales," the report said.

OUTLOOK

The report painted a mixed picture regarding future outlook. Companies remained confident, on average, with 28 per cent forecasting output growth in the year ahead and 1 per cent expecting a contraction.

Planned marketing, new product enquiries and buoyant demand were all cited as reasons for optimism. "The overall level of sentiment remained elevated, but slipped to a four-month low as inflation concerns weighed on confidence," the report said.