Manufacturing PMI at 16-yr high; hiring picks up

Sharpest uptick in output, new orders since Oct 2020

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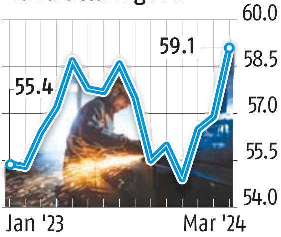
India's manufacturing sector ended 2023-24 on a "stellar" note, with the headline Purchasing Managers Index (PMI) soaring to a 16-year high of 59.1 in March, up from 56.9 in February, according to a survey released by HSBC on Tuesday.

A PMI above 50 represents expansion in the manufacturing sector, while a reading under 50 represents contraction. The survey reveals that the manufacturing sector gained momentum in March, with the strongest increases in output and new orders since

GOING STRONG
Manufacturing PMI



A figure above 50 denotes expansion and below 50 signifies contraction
Source: HSBC

October 2020. This was accompanied by the second-sharpest upturn in input inventories in the survey's history in connection with India.

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WB raises India's FY25 GDP growth forecast to 6.6%

The World Bank on Tuesday upgraded its FY25 growth forecast for the Indian economy by 20 basis points to 6.6 per cent, on the back of "upward revisions to investment growth". In its latest bi-annual South Asia Development Update, it pegged India's FY24 growth rate at 7.5 per cent, a tad lower than 7.6 per cent estimated by the NSO. 6 ▸

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nessed sharp falls in some of the sessions in March, especially in midcap and smallcap stocks. The Nifty Smallcap 100 declined over 1 per cent during six sessions. The index fell more than 5 per cent on March 13. After swinging over 12 per cent in March, the index ended the month down 4.4 per cent, while the Nifty Midcap 100 closed 0.5 per cent lower. The Nifty50 gained 1.6 per cent last month.

PMI...

In a positive sign for the jobs market, employment picked up. "Employment returned to positive territory and firms scaled up buying levels. 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 lowest extent in over a year," the survey stated.

At 59.1, the March manufacturing PMI is slightly lower than the flash estimate for the month at 59.2, released on March 21. The March figure marks the manufacturing output rising for 33 months in a row and to the sharpest since October 2020.

The growth of new orders, the survey noted, accelerated at the fastest pace in nearly three-and-a-half years in March, amid reports of buoyant demand conditions. New work inflows strengthened from both domestic and export markets, with new export orders increasing at the fastest pace since May 2022. Sales to Africa, Asia, Europe, and the US picked up sharply.

"India's March manufacturing PMI rose to its highest level since 2008 as 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," said Ines Lam, economist, HSBC.

The survey also noted that growth quickened across the consumer, intermediate, and investment goods sectors. The steepest expansion in production was seen at investment goods makers.

After leaving payroll numbers broadly unchanged in the previous two months, the survey noted, manufacturers in India hired additional workers in March. The pace of job creation was mild but still marked the best performance since September 2023. Anecdotes highlighted the recruitment of mid-level and full-time employees.

Contrary to the positive news, the survey noted that overall sentiment slipped to a four-month low as concerns about inflation continued to weigh on confidence. "Despite remaining modest by historical standards, cost pressures were at their highest in five months. Companies reported having paid more for cotton, iron, machinery tools, plastics, and steel," the survey added.

Mobile...

Apple led the charge in exports, with the value of outbound shipments of mobile devices expected to have crossed ₹1.2 trillion ($14.39 billion) in FY24, a 33 per cent increase from ₹90,000 crore in the previous financial year. Exports in FY24, based on the early estimates, accounted for nearly 30 per cent of total production value, up from 25 per cent in FY23.

Nonetheless, the value of mobile exports is still a long way from the government's electronics policy target of $52-58 billion by FY26. The government's hopes that mobile device production will hit $126 billion by FY26.

The relatively high value of mobile device production was achieved despite stagnant domestic sales volume of mobile phones, with smartphone sales hovering around 145-150 million in FY24 (however, there was an uptick in the last quarter). The production