

Cost pressures, India-Pak conflict slow mfg in May

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Curbed by cost pressures, fierce competition and the India-Pakistan conflict, India's manufacturing activity decelerated in May to grow at its slowest pace in three months, a private survey said on Monday.

The HSBC India Manufacturing Purchasing Managers' Index (PMI), compiled by S&P Global, fell to 57.6 in May from 58.2 in April.

A figure above 50 denotes expansion in manufacturing activity while below that signifies contraction. The headline figure has been in the expansion zone for the 47th month running.

"May data indicated another robust improvement in business conditions across India's manufacturing industry. Although rates of increase in new orders and output retreated to three-month lows, they remained well above their respective long-run averages," said the survey.

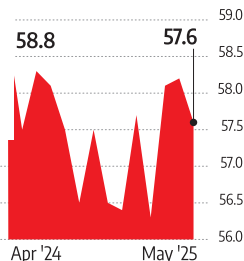
The survey notes that panellists suggested that demand strength continued to support sales and production, though competition, inflation and the India-Pakistan conflict had reportedly weighed on growth. Goods producers lifted input buying and headcounts again, with the latter experiencing a series-record upturn.

Meanwhile, cost inflation climbed to a six-month high and selling prices were raised to one of the greatest extents seen in around 11 and a half years.

"New export orders rose at one of the

Losing steam PMI manufacturing

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



strongest rates recorded in three years. Panel members remarked on favourable demand from Asia, Europe, the Middle East and the US," the survey noted.

Pranjul Bhandari, chief India economist at HSBC, said that India's May manufacturing PMI signalled another month of robust growth in the sector, although the rate of expansion in output and new orders eased from the previous month.

"The acceleration in employment growth to a new peak is certainly a positive development. Input cost inflation is picking up, but manufacturers seem to be able to lessen the pressure on profit margins by raising output prices," she added.

On the employment front, the survey noted that firms also hired additional staff in May, with the rate of job creation climbing to a new series record. Among the 12 per cent of panellists that reported higher headcounts, the creation of permanent job roles featured more prominently than that of short-term positions.