

August manufacturing PMI dips to 57.5 on 'fierce competition'

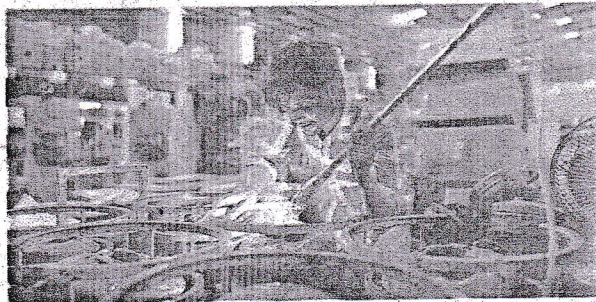
HIRING SLOWDOWN. With some firms trimming headcount, job creation softened midway

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Fierce competition' affected the manufacturing sector to some extent in August, as the Purchasing Managers' Index (PMI) slipped to 57.5 from 58.1 in July. However, it is still higher than long-term average of 54, but there is no good news on the job front.

"The Indian manufacturing sector continued to expand in August, although the pace of expansion moderated slightly. New orders and output also mirrored the headline trend, with some panellists citing fierce competition as a reason for the slowdown," Pranjul Bhandari, Chief India Economist at HSBC, said. Nevertheless, all three indicators remain well above their historical averages, she added.

Based on the responses from panellists, the survey report mentioned that job creation softened midway through the second fiscal quarter as a few firms



INFLATIONARY PRESSURE. Despite the slowdown in cost pressures, there was a marked increase in prices charged for goods in August. BLOOMBERG

trimmed headcount. However, the overall rate of employment growth remained solid in the context of historical data.

COST PRESSURE

As there was overall moderation in price levels, manufacturers also experienced some relief. According to the report, goods producers benefited from a reduction in cost pressures during August. Purchasing prices still rose but did so at the weakest rate in five months. Firms that observed an increase

cited higher costs for leather, mineral, and rubber. With input cost inflation receding, goods producers sought to rebuild safety stocks by purchasing additional raw materials and semi-finished goods. The rate of input buying growth was sharp and the strongest since April, the report said.

"On a positive note, the rise in input costs slowed sharply. Manufacturers increased their raw material buying activity in order to build safety stocks. In line with input costs, the pace of

output price inflation also decelerated, but the deceleration was to a much smaller extent, thereby increasing margins for manufacturers," Bhandari said.

RISING INFLATION

Still, there were some issues. Despite the slowdown in cost pressures, there was a marked increase in prices charged for Indian goods in August.

The rate of inflation was the second-fastest in nearly 11 years. Firms reportedly passed additional cost burdens onto their clients amid resilient demand. These factors affected optimism, as the report emphasised that competitive pressures and inflation concerns hampered business confidence in August. Panellists were at the least optimistic since April 2023, the report added.

"Business outlook for the year ahead moderated slightly in August, driven by competitive pressures and inflation concerns," Bhandari concluded.