

Manufacturing PMI at 11-month low on price pressures

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Stymied by fierce competition and price pressures, growth in India's manufacturing sector slipped to 56.5 in November, according to a private business survey released on Monday.

Compiled by S&P Global, the HSBC final India manufacturing Purchasing Managers' Index's (PMI) fall in November was a joint 11-month low from 57.5 in October. Earlier, in January, the figure had stood at 56.5.

A figure above 50 in the index denotes expansion in activity and below that signifies contraction.

"Goods producers experienced a weaker, albeit still robust, upturn in new business intakes during November. The rate of expansion

was the second-weakest in 11 months, ahead of that registered in September. Growth was supported by favourable demand conditions, but stymied by fierce competition and price pressures. Indeed, the latest results showed that Indian goods producers increased their selling prices to the greatest extent since October 2013," the survey noted.

Pranjul Bhandari, chief India economist at HSBC, says that India's manufacturing PMI in November is down slightly from the prior month, but still firmly within expansionary territory.

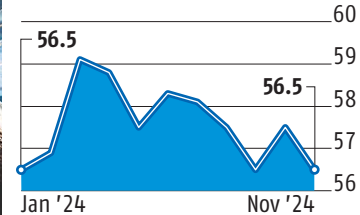
"Strong broad-based international demand, evidenced by a four-month high in new export orders, fuelled the Indian manufacturing sector's continued growth.

At the same time, however, the rate of output expansion is deceler-



LOSING MOMENTUM

Manufacturing PMI



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Source: HSBC

ating due to intensifying price pressures," she said.

On the inflation front, the survey notes that input cost inflation intensified midway through the third fiscal quarter, reaching its highest mark since July, but remaining

below its long-run average.

Items such as chemicals, cotton, leather and rubber were reported as up in price.

"Although price pressures curbed domestic sales to a certain extent, growth of new export orders gained

momentum. The rate of expansion in international demand was the best seen for four months, with panellists reporting gains from Bangladesh, mainland China, Colombia, Iran, Italy, Japan, Nepal, the UK and the US," it noted.

On the employment front, the survey noted that for the ninth month in a row, factory employment in India increased during November, which despite softening from October, the rate of job creation remained solid.

"According to panel members, staff had been hired on both permanent and temporary bases. Indian manufacturers purchased additional inputs for use in production processes and to place into inventories. The rise in buying levels was sharp, albeit the weakest in just under a year.