

Manufacturing PMI recovers amid higher output and job growth

AUHONA MUKHERJEE

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India's private sector manufacturing activity rose to a seven-month high in September as new orders, output and hiring picked up, a private survey showed on Thursday.

HSBC's India Manufacturing Purchasing Managers' Index (PMI), which tracks monthly changes in manufacturing activity, rose to 55.1 from 52.8 in August. However, the average for the second quarter of FY27 stood at 53.8, its lowest since the same period in 2021.

The September figure — a weighted average of new orders, output, employment, suppliers' delivery times and stocks of purchases — was slightly below the Flash India Manufacturing PMI estimate of 55.7 released last month.

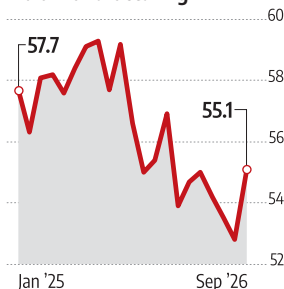
The index remained above the 50 mark, indicating expansion in activity. A reading below 50 signals contraction. September also marked the 59th consecutive month of expansion. The reading was also the highest since February when it was 56.9.

"India's factory sector ended the quarter on a firmer footing. The PMI rose to 55.1 in September, up from 52.8, as stronger domestic and overseas demand lifted sales and production. Hiring resumed at its fastest pace since May, and manufacturers became more



In recovery mode

India manufacturing PMI



Note: PMI is in points. A print above 50 denotes expansion and one below 50 denotes contraction
Source: S&P Global

optimistic about the months ahead," said Pranjul Bhandari, chief India economist at HSBC.

Demand grew in September, leading to the sharpest expansion in Indian factory production for four months. "Firmer demand for electronic, food, pharmaceutical and textile products reportedly drove a sharper increase in new business intakes. The upturn in total sales was the fastest since February," the survey noted.

New export orders also rose

at a quicker pace with panel members particularly noting greater demand from clients in Brazil, Europe, the United Arab Emirates and the United States.

Intermediate goods saw the strongest improvement in September, topping the growth rankings for both new orders and output. Capital goods were the weakest link, recording only modest increases that were weaker than in August, said the survey.

After a dip in August, employment creation picked up in September and jobs grew at the highest pace since May.

According to surveyed firms, higher prices for electronic components, pharmaceutical items and steel pushed up overall cost burden in September. The rate of inflation accelerated from August, but remained below its long-run average.

Selling prices also increased at a quicker pace but remained below trend. Cost pressures were most intense in the intermediate goods categories, and weakest among capital goods producers. The consumer goods segment saw the sharpest upturn in selling prices.

"Companies bought more materials and built up stocks to prepare for anticipated sales. Finished goods inventories recorded their second-largest increase in nearly 12 years, signalling a clear shift from leaner stock levels," Bhandari said.