

India's factory output looks up, manufacturing PMI rises to 54.7 in April

At 54.7, India's manufacturing PMI for April erased much of the decline it posted in March, when it had fallen to 54.0 - the lowest since September 2021.



Representational Image. A worker cuts metal inside a workshop manufacturing metal pipes in Mumbai.

The S&P Global India Manufacturing Purchasing Managers' Index (PMI) rose in April, coming in at 54.7, up from 54.0 in March.

A reading above 50 indicates expansion in activity, while a sub-50 print is a sign of contraction.

According to IHS Markit, the compiler of the PMI, Indian manufacturing activity in April saw a marked increase in new orders and production, with international sales growing "solidly" after having contracted for the first time in nine months in March.

"Factories continued to scale up production at an above-trend pace, with the ongoing increases in sales and input purchasing suggesting that growth will be sustained in the near-term," noted Pollyanna De Lima, economics associate director at S&P Global.

IHS Markit completed its merger with S&P Global on February 28, leading to the renaming of the PMI for India as well as some other countries.

Manufacturers continued to stock inputs, with April seeing the largest increase since November.

The improvement in activity levels did not do much for employment in the manufacturing sector, with most firms saying their workforce levels were unchanged in April because of little capacity pressures. However, on the whole, there was a "mild increase" in employment last month.

On the price front, concerns remained. Manufacturers experienced higher costs for chemicals, electronic components, energy, metals, plastics, and textiles compared to March. Higher transportation fees and the war between Russia and Ukraine were cited as the primary reasons for input cost inflation rising to a five-month high in April.

Consumers felt the price rise too, with manufacturers passing on some of the increased cost burden. This resulted in selling price inflation hitting a one-year high.

"This escalation of price pressures could dampen demand as firms continue to share additional cost burdens with their clients," De Lima added.

The rise in consumer prices will not come as a surprise, with inflation based on the Consumer Price Index (CPI) surging to a **17-month high of 6.95 percent in March**, data released last month showed. Economists expect CPI inflation crossed 7 percent in April, putting the Reserve Bank of India's Monetary Policy Committee deeper into a corner.

The rate-setting panel is increasingly expected to start raising the policy repo rate in June to cut down inflation pressures and avoid failing to meet its mandate.

The committee is deemed to have failed to meet its mandate if average CPI inflation is outside the 2-6 percent band for three consecutive quarters.

Inflation averaged 6.3 percent in January-March. The central bank's latest forecast pegs average CPI inflation at 6.3 percent in April-June and 5.8 percent in July-September.