

## Manufacturing PMI robust in August as demand spikes



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**Dilasha Seth**

▪ Indian manufacturers continued to benefit from the easing of the pandemic

**BENGALURU** : Manufacturing remained robust in August with strong growth in output and new orders led by a pick-up in demand after the withdrawal of pandemic-induced restrictions, a private survey said.

Inflationary pressures eased during the month amid easing of global commodity and energy prices, “substantially” improving business confidence.

The S&P Global India Manufacturing purchasing managers index (PMI) edged lower to 56.2 points in August from an eight-month high of 56.4 points in July, but this still signals the second-strongest improvement in operating conditions since last November. It is the 14th straight month of growth.

A reading over 50 denotes expansion, and below it contraction.

“Indian manufacturers continued to benefit from the absence of Covid-19 restrictions, with rates of growth for both output and new orders picking up yet again...This robust performance was complemented by a fourth successive monthly slowdown in the rate of input cost inflation,” said Pollyanna De Lima, economics associate director at S&P Global Market Intelligence.

Sustained improvement in demand conditions boosted new order intakes by Indian manufacturers during August, pushing output growth to a nine-month high.

Manufacturing volumes were led by a pick-up in exports and upbeat projections for the year ahead.

Manufacturers attributed the fastest improvement in production to higher sales, recent efforts to enhance capacities, fewer covid-19 restrictions and product diversification.

Production also benefited from easing of cost price pressures during the month. Input cost inflation slipped to the lowest in a year amid softer pressures from commodity prices. Factory gate charges rose at the second-weakest pace since the start of this fiscal year.

However, the passing of higher freight, labour and material prices to clients kept the pace of increase in output prices at nearly the same level as in July.

India’s retail inflation had eased to a five-month-low of 6.71% in July, falling below the 7% mark for the second straight month. However, this was still over the Reserve Bank of India’s upper tolerance band of 6% for the seventh month in a row. RBI has projected inflation for 2022-23 at 6.7%.

The wholesale price index-based inflation also moderated to a five-month-low in July.

“Firms welcomed the weaker increase in input costs and upward revision to output forecasts amid renewed hopes that contained price pressures will help boost demand. Inflation concerns, which had dampened sentiment around mid-year, appear to have completely dissipated in August as seen by a jump in business confidence to a six-year high,” said De Lima.

The survey comes a day after official data showed that India’s economy expanded well below expectations at 13.5% during the first quarter, with dismal performance of the manufacturing sector.

The RBI-led monetary policy committee had projected a 16.2% gross domestic product growth for Q1. The national accounts data released on Wednesday, however, showed that private consumption revived sharply during the quarter.



India manufacturing PMI

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