

India's manufacturing activity grows at fastest pace in 7 months: Survey



Robust gains in new work boost production growth in October: IHS Markit India Manufacturing PMI

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▪ Output and new orders expand at fastest rates in seven months: IHS Markit India Manufacturing PMI

Manufacturing activity in India gained steam in October as companies scaled up production in line with a substantial upturn in new work intakes, according to a private survey. Similarly, factory output increased at a sharp pace that was the strongest since March. At 55.9 in October, vs 53.7 in September, the seasonally adjusted IHS Markit India Manufacturing Purchasing Managers' Index was in expansion territory for the fourth month in a row in October, pointing to the strongest improvement in overall operating conditions since February.

According to the survey, firms stepped up input purchasing amid stock-building efforts and in anticipation of further improvements in demand, while business optimism hit a six-month high.

On the other hand, companies continued to report rising prices for several materials and transportation, with overall input costs increasing at the sharpest rate since February 2014, according to the survey. Subsequently, selling charges were lifted again.

The survey showed new orders continuing to expand in October. The upturn was sharp and the fastest in seven months.

In addition to reporting a substantial increase in total new orders, Indian companies observed a notable pick-up in international demand for their goods. New export work rose at a solid pace that was the quickest in three months, according to the survey.

Commenting on the latest survey results, Pollyanna De Lima, Economics Associate Director at IHS Markit, said:

“[Manufacturing sector growth](#) in India continued to gather momentum, with October data showing notably quicker expansions in new orders, production and input purchasing.

“With companies gearing up for further improvements in demand by building up their stocks, it looks like manufacturing activity will continue to expand throughout the third quarter of fiscal year 2021/22 should the pandemic remain under control. Upbeat business confidence and projects in the pipeline should also support production in the coming months.”

However, she noted that input cost inflation accelerated substantially in October — to a near eight-year high — as strong global demand for scarce raw materials continued to push up prices for these items.

“Some manufacturers hiked their fees in response, but for now the overall rate of charge inflation was moderate.”

Barclays in a note said: [The strength in PMI expansion signals improvement in production and new orders, but inflation clearly will be a headwind going forward. We retain our tracking estimate of GDP to grow by 9.9% during Jul-Sept 2021.]