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Demand growth was constrained by surge in fresh covid infections, while the rise in input buying was curtailed by an intensification of cost pressures.

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Data released by analytics firm IHS Markit on Monday showed purchasing managers' index (PMI) for the manufacturing sector fell to 55.4 in March from 57.5 in February as production, new orders and input-buying expanded at a slower pace



Manufacturing activity fell to a seven-month low in March because of cost pressures even as a surge in covid-19 infections poses new challenges for businesses, a private survey said.

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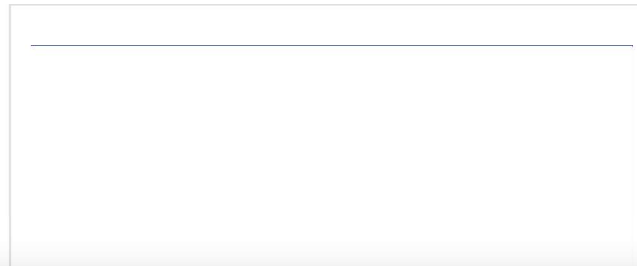


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IHS Markit said anecdotal evidence suggested that the upturn was stymied by elevated cost pressures. “On the price front, the rate of input cost inflation was among the strongest seen in the past three years. However, selling prices increased only moderately as companies limited their adjustments to retain a competitive edge and boost sales,” it added.

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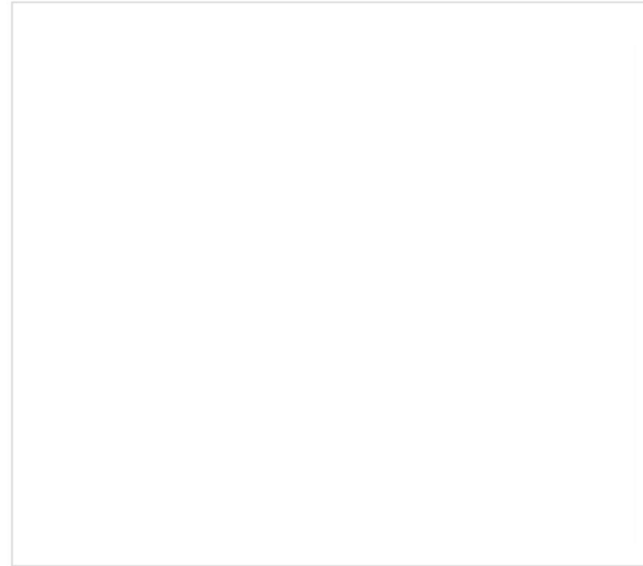
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Pollyanna De Lima, economics associate director at IHS Markit, said survey participants indicated that demand growth was constrained by the escalation of the covid pandemic, while the rise in input buying was curtailed by an intensification of cost pressures. "While predictions that the vaccination programme will curb the disease and underpin output growth in the year ahead meant that business confidence remained positive, growing uncertainty over the near-term outlook due to a rise in covid cases dragged sentiment to a seven-month low. With covid curbs expanded and lockdowns re-introduced in many states, Indian manufacturers look set to experience a challenging month in April," she added.

Employment declined in March at the quickest pace since September 2020, taking the current sequence of job shedding to

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a year. Business confidence also waned. “While some firms foresee output growth in the coming 12 months, the vast majority predicted no change from present levels. Where optimism was signalled, this was commonly pinned on hopes that covid controls would ease,” IHS Markit said.

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Madan Sabnavis, chief economist at Care Ratings, said the series of localized lockdowns have the potential to disrupt the economy again. “The issue is this affects the services sector, which was just about getting up post-November. This gets pushed back. The problem is employment as staff won’t be sure of their future as malls, theatres, hotels are not sure of future businesses,” he said.