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pg 12 India's Manufacturing Index Hits All-Time High as Production Optimism Surges

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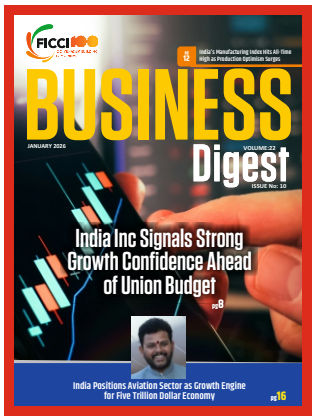
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FICCI is the voice of India's business and industry, reaching out to over 2,50,000 companies. Established in 1927, it is India's oldest and largest apex business organisation. FICCI serves its members from large (domestic and global companies) and MSME sectors as well as the public sector, drawing its strength from diverse regional chambers of commerce and industry.

EDITORIAL

From The Director General



India's manufacturing sector recorded its highest-ever confidence reading in the third quarter of FY2025-26, coinciding with a pre-budget survey that found nearly 80 per cent of businesses expecting robust economic expansion — twin signals that corporate India enters the new year with a depth of optimism not seen in recent memory. Taken together, the findings from FICCI's 68th Quarterly Survey on Manufacturing and its Pre-Budget Survey 2026-27, both released in January, offer a compelling portrait of an industrial economy gathering momentum even as the global outlook remains clouded by trade fragmentation and geopolitical uncertainty.

The manufacturing survey, drawn from firms across eight major sectors with a combined annual turnover exceeding ₹3 lakh crore, reveals that 91 per cent of respondents either maintained or increased production levels during the October–December period, up from 87 per cent in the preceding quarter. Domestic demand continues to anchor this trajectory, with 86 per cent of manufacturers reporting higher or equivalent order levels. Capacity utilisation stands at approximately 75 per cent — a threshold that typically signals healthy, sustained economic activity — whilst Electronics and Electricals and Metal and Metal Products lead sectoral performance at 78 and 79 per cent respectively.

The forward-looking indicators are equally encouraging. Electronics and Electricals is poised for strong growth in the range of 10 to 20 per cent, and hiring intentions have edged upward, with 38 per cent of respondents planning workforce expansion in the near term. More than 87 per cent of manufacturers report adequate access to banking funds, and over 70 per cent expect exports to hold firm or improve — a notable expression of resilience against a backdrop of intensifying protectionist sentiment in key markets.

The pre-budget survey reinforces this confidence at the macroeconomic level. Approximately half of participating businesses expect GDP growth to remain within the 7–8 per cent band in the next fiscal year, and around 42 per cent anticipate the government will meet its fiscal deficit target of 4.4 per cent of GDP. Three clear priorities have emerged from industry: job creation, sustained infrastructure investment, and strengthened export support. Respondents have called for an enhanced capital expenditure thrust, the establishment of a mega electronics industrial cluster, and a more streamlined trade facilitation architecture to counter rising global tariff uncertainty.

Yet the surveys also surface pressures that demand attention. Production costs remain elevated, with 57 per cent of manufacturers reporting increased costs as a proportion of sales, driven by raw material prices, currency depreciation, and rising logistics expenses. A fifth of respondents flagged shortages of skilled workers as an ongoing constraint — a reminder that aligning India's workforce development infrastructure with the demands of modern manufacturing remains unfinished business.

FICCI and its membership remain steadfast in their commitment to working alongside the government to translate this industrial confidence into durable, broad-based growth. The convergence of record manufacturing sentiment with strong pre-budget optimism presents a singular opportunity to accelerate structural reforms, deepen India's integration within global value chains, and advance the shared vision of a Viksit Bharat.

Jyoti Vij