India's manufacturing activity surged to a six-month high in December thanks to a spike in factory output and new orders from domestic and international firms, a survey of purchasing managers showed on Monday.

The HSBC Markit India Manufacturing PMI jumped to 54.2 from 51.0 in November, its biggest monthly rise since April 2009.

The index has stayed above the 50 mark that separates growth from contraction for 33 months now. The PMI came closest to suggesting a contraction in September when it dipped to 50.4.

Manufacturing in Asia's third largest economy is expanding, just as factory activity in developed economies across the world is contracting. Data released in China on Friday, shows the sector likely shrank in December, after remaining mostly below 50 since July.

"Activity in the manufacturing sector rebounded in December led by higher demand from both domestic and foreign clients, suggesting that the momentum in the sector is not quite as weak as official and more dated IP (industrial production) data would suggest," said Leif Eskesen, economist at HSBC.

Official data released last month showed industrial output plunged 5.1 percent in the year to October, its steepest fall since March 2009, raising fears the economy might be heading for a hard landing.

However, the new orders index, a reliable gauge of future output, jumped to 57.9 from 52.8 in November, its biggest jump in two years, suggesting the factory sector might be in for better days ahead.

New orders from overseas clients also grew at a faster pace than last month, the second consecutive expansion after shrinking for four months straight.

The Indian economy is facing strong headwinds this year as the euro zone crisis drags on and Reuters polls suggest the central bank will ease monetary policy by June to counter this, despite stubbornly high inflation.

While central banks globally, including those in China and Brazil, have eased monetary policy to moderate the impact of the euro zone's sovereign debt crisis, the Reserve Bank of India has chosen to pause its hiking cycle rather than ease, as reining in inflation remains a priority.

India's headline inflation has stayed above 9 percent for 12 consecutive months despite 13 rate increases by the RBI since March 2010 that has lifted the benchmark lending rate to 8.5 percent from 4.75 percent.

"The solid demand from clients allowed manufacturing companies to increase output prices at an accelerated pace to pass on rising costs. While the sequential inflation of input costs decelerated slightly, it remained high by historical standards," said Eskesen.

PMI data showed input prices grew at a slightly slower pace than last month while the output cost index rose for the second month running.

The latest PMI survey also showed that employment grew for the second time in fourteen months.

Source :in.reuters.com