

IHS Markit India Manufacturing PMI®

Production growth strengthens in November, but remains subdued

Key findings

Rise in output among weakest in one-and-a-half years

Employment falls for first time since March 2018

Modest upturn in sales

Although business conditions in the Indian manufacturing sector improved in November, the upturn remained subdued compared to earlier in the year and the survey history. Growth rates for new orders and production were modest, despite accelerating from October's recent lows, while firms shed jobs for the first time in 20 months and continued to reduce input buying. At the same time, there were only slight increases in input costs and output prices halfway through the third quarter of fiscal year 2019/20.

The headline seasonally adjusted IHS Markit India Manufacturing PMI® rose from 50.6 in October, when it had fallen to a two-year low, to 51.2 in November. The latest reading was below the survey average (53.8) and indicated only a slight improvement in the health of the sector.

Consumer goods provided the main impetus to overall growth, while the intermediate goods category returned to expansion territory. Conversely, there was a solid deterioration in operating conditions at capital goods makers.

Indian manufacturing production increased only moderately in November, albeit at a quicker rate than October's two-year low. Anecdotal evidence suggested that growth was supported by the launch of new products and better demand, though restrained by competitive pressures and unstable market conditions.

Total sales increased for the twenty-fifth month in a row, with growth strengthening from October's recent low. That said, the upturn was among the weakest over this sequence. Some firms were able to secure new work amid successful marketing and strengthening demand, but others struggled in the face of competitive conditions, a challenging economic scenario and troubles in the automotive sector.

Manufacturers were partly helped by external markets, as signalled by a further expansion in international sales. The increase in exports was slight, however, and among the weakest

India Manufacturing PMI
sa, >50 = improvement since previous month



Source: IHS Markit.

Comment

Commenting on the latest survey results, Pollyanna de Lima, Principal Economist at IHS Markit, said:

"After pulling back noticeably in October, manufacturing sector growth displayed a welcoming acceleration in November. Still, rates of expansion in factory orders, production and exports remained far away from those recorded at the start of 2019, with subdued underlying demand largely blamed for this.

"Some level of uncertainty regarding the economy was evident by a subdued degree of business optimism. Also, companies shed jobs for the first time in over a year-and-a-half and there was another round of reduction in input buying. The weakness of these forward-looking indicators suggests that firms are bracing themselves for challenging times ahead.

"PMI data continued to show a lack of inflationary pressures in the sector which, combined with slow economic growth, suggests that the RBI will likely extend its accommodative policy stance and further reduce the benchmark interest rate during December."

over the past year-and-a-half.

Subdued sales prevented hiring in November, with payroll numbers declining for the first time in 20 months. A number of companies indicated that workloads had been managed by existing staff, while others cited the non-replacement of retirees and non-renewal of temporary contracts.

Firms also scaled back input purchasing, with the latest decline the fourth in as many months. Subsequently, the current sequence of falling stocks of purchases that started in August was extended to November. Rates of contraction for both input buying and inventories were marginal.

Holdings of manufactured goods likewise declined, with the pace of depletion being solid in spite of softening from October.

Business sentiment strengthened in November, with panel members expecting advertising efforts and product diversification to support output growth in the year ahead. That said, the Future Output Index was well below its average, as a number of firms were concerned about the state of the economy.

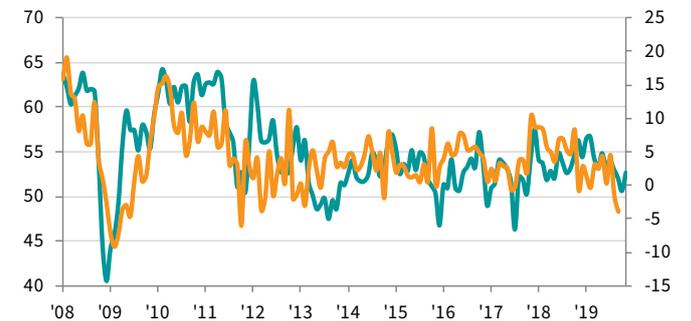
Finally, there were only marginal increases in both input costs and output charges in November.

PMI Output Index

sa, >50 = growth since previous month

Manufacturing production

%yr/yr



Sources: IHS Markit, CSO.

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Survey methodology

The IHS Markit India Manufacturing PMI® is compiled by IHS Markit from responses to questionnaires sent to purchasing managers in a panel of around 400 manufacturers. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Purchasing Managers' Index® (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

Survey dates and history

November 2019 data were collected 12-25 November 2019.

Survey data were first collected March 2005.

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