

IHS Markit India Manufacturing PMI®

Stronger expansion in sales boosts production growth in October

Key findings

Output rises at quickest pace since October 2007...

...amid strongest gain in new work in over 12 years

Manufacturers lift input buying, but lower employment

Data collected 12-26 October

Manufacturing sector conditions in India continued to improve in October, with companies raising output to the greatest extent in 13 years amid robust sales growth. While firms purchased additional inputs for use in the production process, payroll numbers were lowered due to government guidelines related to the coronavirus disease 2019 (COVID-19). Inflationary pressures, meanwhile, remained subdued as seen by a modest increase in input costs and only marginal rise in selling prices.

Rising from 56.8 in September to 58.9 in October, the headline seasonally adjusted IHS Markit India Manufacturing Purchasing Managers' Index® (PMI®) pointed to the strongest improvement in the health of the sector in over a decade. Growth was led by the intermediate goods category, but there were also robust expansions in the consumer and investment goods sub-sectors.

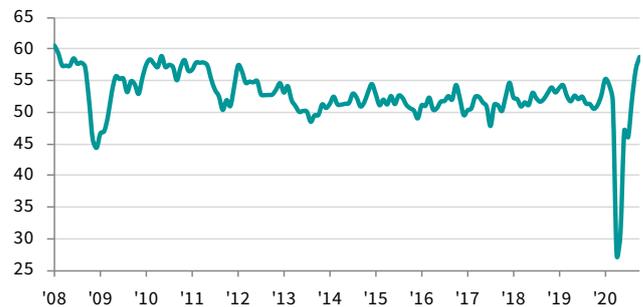
Manufacturers indicated that the ongoing relaxation of COVID-19 restrictions, better market conditions and improved demand helped them to secure new work in October. Moreover, the upturn in sales was the strongest since mid-2008. New export orders likewise rose at a quicker pace, one that was the most pronounced in close to six years.

In response to strong sales gains and softer containment measures related to the COVID-19 disease, firms lifted production at the strongest pace recorded since late-2007.

Greater production needs led to another monthly increase in input buying among Indian manufacturers. Moreover, quantities of purchases rose at the quickest pace in just under nine years.

Meanwhile, the compliance of government guidelines related to the COVID-19 pandemic caused a further reduction in employment. The fall was the seventh in consecutive months, albeit the weakest in this sequence.

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



Source: IHS Markit.

Comment

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

"Levels of new orders and output at Indian manufacturers continued to recover from the COVID-19 induced contractions seen earlier in the year, with the PMI results for October highlighting historically-sharp monthly rates of expansion.

"Companies were convinced that the resurgence in sales will be sustained in coming months, as indicated by a strong upturn in input buying amid restocking efforts.

"Also, confidence towards the year-ahead outlook for production improved as firms hoped that fewer COVID-19 cases and the reopening of other businesses could boost output growth.

"There was disappointing news on the employment front though, with October seeing another reduction in payroll numbers. Survey participants that noted job shedding mentioned having observed containment measures to halt the spread of the coronavirus disease 2019."

As a result of rising sales and falling employment, firms saw an increase in outstanding business. However, backlogs rose at the weakest pace in the current six-month period of accumulation.

Pressure on supplier capacity subsided, as indicated by the slowest increase in delivery times for seven months. Where vendor performance deteriorated, panellists commented on labour shortages at their distributors.

Trends for stocks diverged as an increase in input stocks contrasted with a further decline in holdings of finished goods. The former was associated with purchasing activity growth and the latter with strong sales.

Although input costs increased at a quicker pace than in September, the overall rate of inflation was modest by historical standards. There were mentions of higher base oil, metal and plastic prices; parallel to reductions in synthetic rubber and cotton fees.

A few firms increased output charges, while the vast majority left their fees unchanged from September. As a result, the overall rate of charge inflation was negligible.

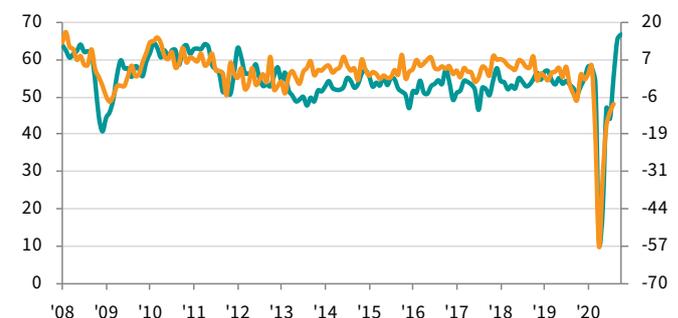
Finally, hopes of an end to COVID-19 cases and the reopening of other sectors in the economy underpinned positive sentiment towards the year-ahead outlook for production. The level of confidence was at a 50-month high.

PMI Output Index

sa, >50 = growth since previous month

Manufacturing production

%yr/yr



Sources: IHS Markit, CSO.

Contact

Pollyanna De Lima
Economics Associate Director
IHS Markit
T: +44 149 146 1075
pollyanna.delima@ihsmarkit.com

Bernard Aw
Principal Economist
IHS Markit
T: +65 6922 4226
bernard.aw@ihsmarkit.com

Katherine Smith
Public Relations
IHS Markit
T: +1 781 301 9311
katherine.smith@ihsmarkit.com

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

Data were collected 12-26 October 2020.

Survey data were first collected March 2005.

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