

# IHS Markit India Manufacturing PMI®

## Indian manufacturing industry starts 2021 with strong growth

### Key findings

Output, new orders and exports rise at faster rates

Slower decline in employment

Sharpest increase in input stocks in over a decade

Data collected 12-25 January

The Indian manufacturing industry enjoyed a strong start to 2021. In response to faster expansions in total sales and new export orders, companies scaled up production at the quickest pace in three months. Firms were successful in their stock-building initiatives, with a sharper upturn in quantity of purchases underpinning the strongest rise in input inventories in over a decade. While employment fell further, job shedding moderated. Price pressures meanwhile intensified, driven by capacity constraints in supply chains.

The seasonally adjusted IHS Markit India Manufacturing Purchasing Managers' Index® (PMI®) rose from 56.4 in December to 57.7 in January, to signal the strongest improvement in the health of the sector in three months.

Sustained sales growth supported a further upturn in manufacturing sector output in January. The rise in production was the sixth in successive months and the quickest since last October.

Firms noted a faster expansion in new business inflows at the start of the year, the quickest in three months. Anecdotal evidence pointed to higher sales to new and existing clients, as well as the securing of bulk orders.

New orders and output rose across each of the three broad areas of the manufacturing sector. For both measures, rates of expansion picked up at consumer and capital goods firms but eased at intermediate goods makers.

Aggregate new export orders continued to increase in January, taking the current stretch of growth to five months. Moreover, the pace of expansion was solid and quickened from December.

Despite the pick-up in demand, manufacturing sector jobs decreased further in January. The pace of contraction was

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:

*"The Indian Manufacturing PMI remained well inside positive territory in January, signalling a sixth consecutive improvement in business conditions and moving further away from the COVID-related contractions recorded around mid-2020.*

*"Factories continued to ramp-up production at an above-trend pace, and the sustained upturn in new work intakes suggests that there is room for capacity expansion in the near-term. Jobs fell at the start of the year, but did so at the weakest pace in the current ten-month stretch of contraction.*

*"An important insight from the January survey was a pick-up in inflationary pressures, as lingering supply-side squeeze drove the sharpest increase in purchasing costs for over two years. The favourable demand environment was accommodative of price hikes and charges were raised at the fastest pace in over a year.*

*"Companies cheered the roll-out of COVID-19 vaccines and became more optimistic towards growth prospects, a position that is supportive of investment and job creation as businesses attempt to rebuild their inventories of finished goods and meet demand needs."*

modest, however, and the slowest in the current ten-month sequence of reduction. Companies that refrained from hiring mentioned the observance of government norms to keep workers to a minimum.

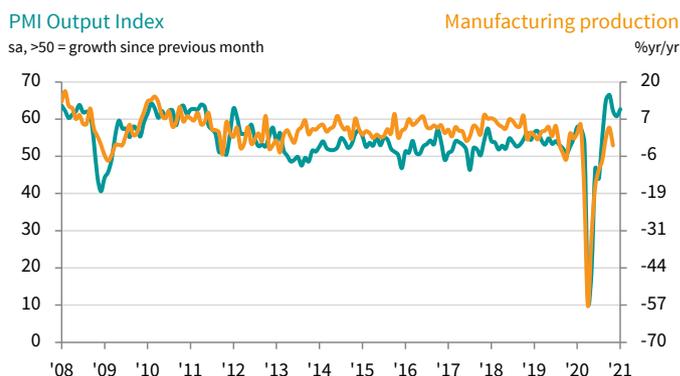
Indian manufacturers noted a sharp rise in stocks of purchases, the fastest since November 2010. According to survey participants, the upturn reflected input buying growth. Indeed, quantity of purchases increased further. The pace of expansion was the second-strongest in just under nine years, behind that recorded last October.

January data pointed to ongoing capacity pressures at Indian goods producers, as backlogs of work rose for the ninth successive month. That said, the pace of accumulation was marginal and the slowest over this sequence.

Supply chains were also stretched, with firms noting another increase in average delivery times for purchased items. The extent of the deterioration in supplier performance was, however, only mild.

January's survey showed an intensification of cost pressures, with purchase price inflation reaching a 28-month high. Favourable demand conditions enabled firms to pass on some of this cost burden in the form of higher factory gates charges, which rose at the quickest pace in over a year.

Finally, business sentiment improved on the back of vaccine roll-out, increased marketing budgets and projects in the pipeline.



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](mailto:economics@ihsmarkit.com).

### Survey dates and history

Data were collected 12-25 January 2021.

Survey data were first collected March 2005.

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### About PMI

Purchasing Managers' Index® (PMI®) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. [ihsmarkit.com/products/pmi.html](https://ihsmarkit.com/products/pmi.html).