

IHS Markit India Manufacturing PMI®

Factory orders and production rise at slowest rates in eight months

Key findings

Growth of sales and output ease further

Firms step-up input buying amid efforts to rebuild stocks

Sharp increases in input costs and selling charges

Data collected 12-26 April

Economic conditions in India's manufacturing sector remained favourable in April, as companies scaled up production in line with a further improvement in demand. While output and sales increased at the slowest rates since last August due to an intensification of the COVID-19 crisis, there was a faster upturn in international orders. Moreover, quantities of purchases expanded at one of the strongest rates seen for over nine years as firms sought to boost their inventories.

Survey participants also signalled a steep increase in input costs, the quickest since July 2014, and upward revisions to selling prices. The rate of charge inflation climbed to the highest in seven-and-a-half years.

The seasonally adjusted IHS Markit India Manufacturing Purchasing Managers' Index® (PMI®) was at 55.5 in April, little-changed from March's reading of 55.4 and indicating a solid improvement in the health of the sector. Consumer goods was the strongest-performing category, followed by capital goods and then intermediate goods.

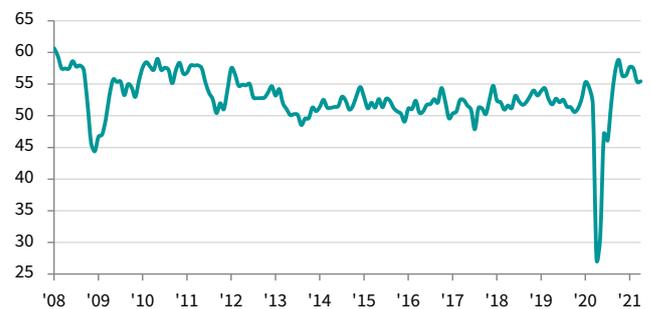
Both new orders and output at Indian manufacturers expanded at marked rates that were nevertheless the slowest in eight months. Growth was attributed to a pick-up in demand and marketing efforts, though hampered by the COVID-19 pandemic.

New export orders increased for the eighth consecutive month in April and at the fastest rate since October 2020. The rise was associated with a pick-up in international demand for Indian goods, with all three monitored sub-sectors registering expansion.

Sustained growth of new work and greater output requirements boosted input buying during April. Purchasing activity expanded at one of the strongest rates recorded over the past nine years.

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 PMI results for April showed a further slowdown in rates of growth for new orders and output, both of which eased to eight-month lows amid the intensification of the COVID-19 crisis. Still, the increases were strong by historical standards and the survey revealed other positive news. New export orders surged to the fastest since last October and buying levels expanded at one of the sharpest rates seen for nine years. Also, the downturn in employment eased and business confidence towards the one-year outlook strengthened.

"The headwinds facing manufacturers cannot be ignored, however. The surge in COVID-19 cases could dampen demand further when firms' financials are already susceptible to the hurdle of rising global prices. April saw the steepest increase in input costs for nearly seven years drive the sharpest upturn in output charges since October 2013. Data for the coming months will be important at verifying whether client demand is resilient to these challenges or if producers will have to further absorb cost burdens themselves to secure new work."

Subsequently, stocks of purchases continued to increase. The accumulation was the eighth in successive months and sharp.

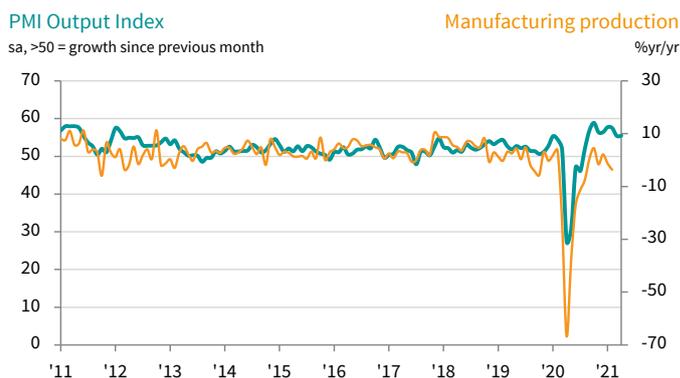
Goods producers noted the steepest rise in input prices since mid-2014. Anecdotal evidence highlighted higher chemical, energy, metal, plastic and transportation costs. As a result, factory gate charges increased further. The rate of inflation was sharp and the fastest seen for seven-and-a-half years.

Although manufacturing employment continued to fall, the rate of contraction recorded in April was marginal and the weakest in the current 13-month sequence of job shedding.

Outstanding business rose in April, as has been the case on a monthly basis for a year. That said, the rate of accumulation was marginal and little-changed from March.

Meanwhile, there was another decline in stocks of finished goods as companies reportedly utilised existing inventories to meet sales requirements. Some firms also linked the fall in post-production stocks to a lack of raw material availability.

Underlying data showed a further deterioration in vendor performance, but supplier delivery times lengthened to a lesser extent in April. Delays were often blamed on the COVID-19 pandemic, transportation issues and material shortages.



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

Data were collected 12-26 April 2021.

Survey data were first collected March 2005.

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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.