News Release

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# IHS Markit India Manufacturing PMI®

## New orders and production continue to rise sharply

### Key findings

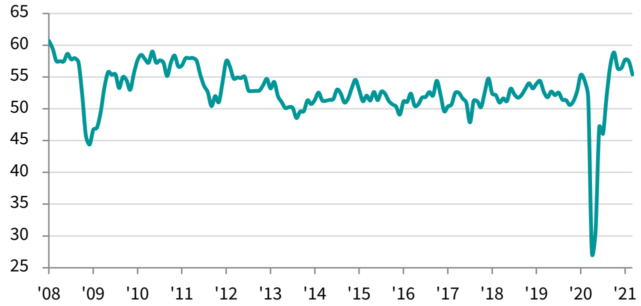
Further increases in factory orders and output

Companies lift input buying, but reduce employment

Input cost inflation remains elevated

India Manufacturing PMI

sa, >50 = improvement since previous month




Source: IHS Markit.

Data collected 12-25 March

Manufacturing sector conditions in India continued to improve sharply in March, despite some loss of growth momentum. Firms scaled up production and input buying in line with another upturn in sales, but employment decreased due to coronavirus disease (COVID-19) restrictions and a lack of pressure on capacity. On the price front, the rate of input cost inflation was among the strongest seen over the past three years. However, selling prices increased only moderately as companies limited their adjustments to retain a competitive edge and boost sales.

The seasonally adjusted IHS Markit India Manufacturing Purchasing Managers' Index® (PMI®) fell from 57.5 in February to a seven-month low of 55.4 in March. However, the latest reading was indicative of a substantial improvement in the health of the sector that outpaced the long-run series average.

Goods producers indicated that strengthening demand and the receipt of orders in bulk underpinned a further rise in overall sales. The upturn was the eighth in successive months and sharp, despite softening to a seven-month low.

Similarly, factory production expanded at a sharp, albeit slower, pace. Those companies that signalled growth mentioned higher new work intakes. The upturn was reportedly restricted by the COVID-19 pandemic.

New export orders increased further in March, stretching the current sequence of growth to seven months. Here there was an acceleration in the rate of expansion.

Amid efforts to lift safety stocks and support the increase in production requirements, manufacturers purchased additional inputs during March. The rate of growth was marked and outpaced its long-run average, but eased from February's near-decade high. Anecdotal evidence suggested that the upturn was stymied by elevated cost pressures.

### Comment

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

*"After starting 2021 on a stronger footing than it ended 2020, the manufacturing sector lost further growth momentum in March. Production, new orders and input buying expanded at softer rates. However, in all three cases, the increases were sharp and outpaced their respective long-run averages.*

*"Survey participants indicated that demand growth was constrained by the escalation of the COVID-19 pandemic, while the rise in input buying was curtailed by an intensification of cost pressures.*

*"While predictions that the vaccination programme will curb the disease and underpin output growth in the year ahead meant that business confidence remained positive, growing uncertainty over the near-term outlook due to a rise in COVID-19 cases dragged sentiment to a seven-month low.*

*"With COVID-19 restrictions expanded and lockdown measures re-introduced in many states, Indian manufacturers look set to experience a challenging month in April."*



PMI® By IHS Markit

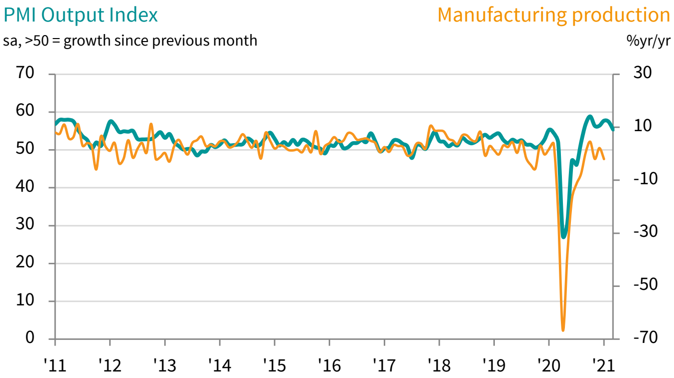
Indeed, average cost burdens continued to increase sharply in March. The rate of inflation was the second-strongest in just under three years, weaker only than February's. Panellists reported higher chemical, metal, plastic, rubber and textile prices.

Some firms lifted their selling prices in attempts to protect margins given ongoing increases in input costs. However, others refrained from doing so due to competitive pressures and sales-boosting initiatives. The overall rate of charge inflation was moderate, the slowest in three months and below its long-run average.

Employment declined in March, taking the current sequence of job shedding to a year. The rate of contraction was modest, but the quickest since September 2020. Panellists indicated that the fall stemmed from COVID-19 restrictions related to workforces. Despite the reduction in payroll numbers, outstanding business rose only marginally.

Business confidence waned in March. While some firms foresee output growth in the coming 12 months, the vast majority predicted no change from present levels. Where optimism was signalled, this was commonly pinned on hopes that COVID-19 controls would ease.

Finally, owing to the increase in input buying, stocks of purchases rose further in March. On the other hand, holdings of finished products fell due to the fulfilment of orders from inventories.



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 12-25 March 2021.

Survey data were first collected March 2005.

### About IHS Markit

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.



### 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.





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