

Embargoed until 1030 IST (0500 UTC) 3 August 2020

IHS Markit India Manufacturing PMI®

Business conditions continue to deteriorate in July amid prolonged closures

Key findings

Health of the manufacturing sector declines at slightly quicker pace

Both output and new orders continue to fall markedly

Business sentiment improves but remains historically subdued

Data collected 13-27 July

Latest PMI® data pointed to another marked deterioration in the health of the Indian manufacturing sector. Output contracted at a slightly faster pace than in June, as demand conditions remained subdued with some businesses still closed amid lockdown extensions. Firms responded by cutting both staff numbers and purchasing activity. However, despite the ongoing negative impact of the coronavirus disease 2019 (COVID-19), sentiment towards future activity improved for the second month running.

At 46.0 in July, the seasonally adjusted IHS Markit India Manufacturing PMI fell from 47.2 in June, and pointed to a marked deterioration in business conditions across the Indian manufacturing sector.

The downturn was partially driven by a further contraction in output. Although far softer than recorded in April and May, the rate of reduction accelerated from June and was sharp overall. Anecdotal evidence indicated that firms pared back production in line with weaker demand conditions.

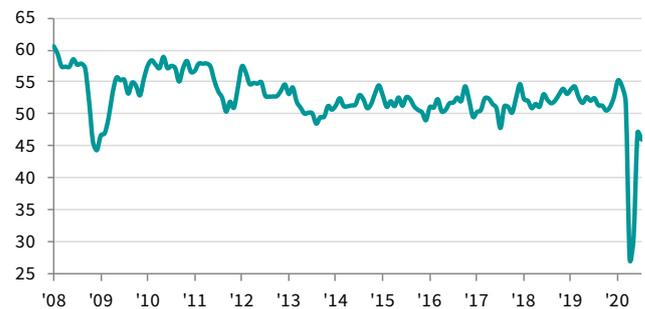
Subdued demand was evidenced by another marked decrease in new orders placed with manufacturers during July. Similar to the trend for output, the pace of decline accelerated from June, but remained slower than at the height of the current crisis. When explaining falling sales, panellists often cited prolonged closures at their clients' businesses.

Weighing on aggregate demand was a further contraction in new export orders at the start of the third quarter. Survey participants commented that international clients were hesitant to place orders while the duration of the pandemic remained uncertain. That said, the latest reduction in exports was the softest for four months.

Deteriorating demand conditions led Indian manufacturers

India Manufacturing PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

Comment

Commenting on the latest survey results, Eliot Kerr, Economist at IHS Markit, said:

"Latest PMI data from Indian manufacturers shed more light on the state of economic conditions in one of the countries worst affected by the COVID-19 pandemic. The survey results showed a re-acceleration of declines in the key indices of output and new orders, undermining the trend towards stabilisation seen over the past two months. Anecdotal evidence indicated that firms were struggling to obtain work, with some of their clients remaining in lockdown, suggesting that we won't see a pick-up in activity until infection rates are quelled and restrictions can be further removed.

"However, on a more positive note, firms remained optimistic, with confidence towards future activity continuing to strengthen during July."

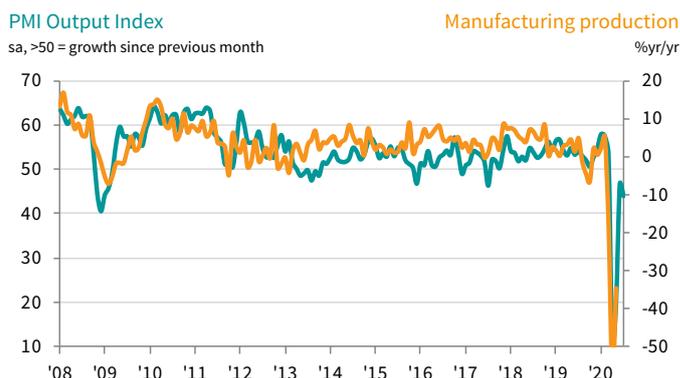
to continue cutting staff numbers during July. The rate of workforce contraction was little-changed from June and faster than any recorded prior to the COVID-19 pandemic.

Amid softer inflows of new orders, goods producers also pared back their purchasing activity in July. The result extended the current sequence of decline to five months. The rate of decline was quicker than in June and solid overall.

In a sign of further supply-side disruption, suppliers' delivery times continued to lengthen. That said, vendor performance deteriorated to the least extent for four months.

On the cost front, manufacturers reported another decrease in input prices during July. However, the rate of reduction was modest and the slowest in the current four-month sequence of falling costs. Panellist comments indicated that subdued demand for most goods more than offset the inflationary effects of shortages in some raw materials.

Finally, despite current operating conditions continuing to deteriorate, manufacturers were increasingly optimistic regarding future activity. Sentiment towards the 12-month business outlook improved for the second month in a row to reach a five-month high. That said, the degree of positivity was still well below the historical average.



Sources: IHS Markit, CSO.

Contact

Eliot Kerr
Economist
IHS Markit
T: +44 2031 593 381
eliot.kerr@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

July 2020 data were collected 13-27 July 2020.

Survey data were first collected March 2005.

Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index® and PMI® are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.

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.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2020 IHS Markit Ltd. All rights reserved.

If you prefer not to receive news releases from IHS Markit, please email katherine.smith@ihsmarkit.com. To read our privacy policy, [click here](#).

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.