News Release

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IHS Markit India Manufacturing PMI®

Surge in manufacturing production at start of 2020

Key findings

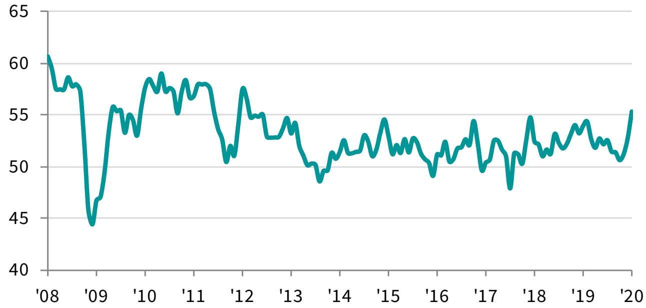
PMI climbs to near eight-year peak at start of 2020

New business and production rise at sharper rates

Job creation gains traction

India Manufacturing PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

The rate of expansion in India's manufacturing industry continued to gain strength in January as firms responded positively to a sharp improvement in demand. January saw growth of new business, output, exports, input buying and employment gather speed. At the same time, business sentiment strengthened and there were softer rises in both input costs and output charges.

The headline seasonally adjusted IHS Markit India Manufacturing PMI® rose from 52.7 in December to 55.3 in January, its highest level in just under eight years. The consumer goods sub-sector remained the brightest spot, although growth was sustained in intermediate goods and capital goods moved back into expansion.

Companies noted the strongest upturn in new business intakes for over five years, which they attributed to better underlying demand and greater client requirements. A number of firms also suggested that marketing efforts bore fruit.

The rise in total sales was supported by strengthening demand from external markets, as noted by the fastest increase in new export orders since November 2018. Manufacturers particularly noted higher sales to clients in Asia, Europe and North America, with favourable exchange rates assisting the upturn.

In response to the pick-up in demand, Indian goods producers scaled up production in January. Moreover, the rise was the strongest in over seven-and-a-half years, with the rate of expansion much higher than its long-run average.

Such was the strength of the rise in sales that some firms had to use their stocks to fulfil order obligations. As a result, inventories of finished products declined sharply in January.

On the other hand, holdings of raw materials and semi-finished items increased at the start of the year. The accumulation was the first in six months and the most pronounced since May 2017. Stock building efforts were linked to robust order inflows and

Comment

Commenting on the latest survey results, Pollyanna de Lima, Principal Economist at IHS Markit, said:

"Manufacturing sector growth in India continued to strengthen in January, with operating conditions improving at a pace not seen in close to eight years.

"The PMI results show that a notable rebound in demand boosted growth of sales, input buying, production and employment as firms focused on rebuilding their inventories and expanding their capacities in anticipation of further increases in new business.

"Companies also benefited from subdued cost pressures, which enabled them to restrict increases in their fees to some extent.

"To complete the good news, there was also an uptick in business confidence as survey participants expect buoyant demand, new client wins, advertising and product diversification to boost output in the year ahead."

PMI® By IHS Markit

the impending launch of new products.

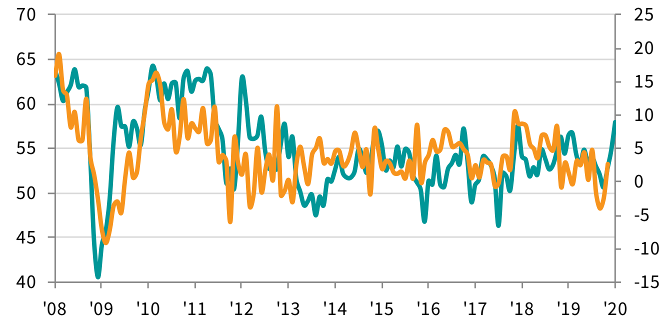
Supporting the rise in input stocks was a further increase in quantities of purchases, the second in successive months. The expansion in buying levels was the strongest in a year.

Hiring activity improved in January, with firms increasing employment at the quickest rate in close to seven-and-a-half years. New business growth and projects in the pipeline were cited as the main reasons for job creation.

With capacities being expanded by further hiring, companies were able to stay on top of their workloads. Unfinished business was broadly unchanged in January, ending a six-month sequence of accumulation.

On the price front, there were slower increases in both input costs and factory gate charges. While some firms reported higher prices for metals, textiles and food, others noted lower fees for copper, packaging materials and rubber. For the third month in a row, the rate of charge inflation surpassed that seen for costs.

Indian manufacturers were more upbeat about the year-ahead outlook for production. Optimism stemmed from forecasts of better demand, new client wins, marketing efforts, capacity expansion and new product releases.



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

January 2020 data were collected 13-27 January 2020.

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. To learn more go to ihsmarkit.com/products/pmi.html.

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