

# IHS Markit India Manufacturing PMI®

## Manufacturing PMI dips to 15-month low in August

### Key findings

Operating conditions improve only marginally...

...due to slower increases in sales, output and employment

Input buying declines for first time since May 2018

Although economic growth in the Indian manufacturing industry was sustained in August, most survey indicators fell since July to signal a widespread loss of momentum. With sales expanding at the slowest rate in 15 months, production growth and job creation were tamed, while factories lowered input buying for the first time since May 2018.

One survey indicator that moved up was the measure of input costs. Inflation accelerated to a nine-month high, though remained moderate and below its long-run average. The only other upward movement was seen for business confidence, which strengthened to a 16-month high.

At 51.4 in August, the seasonally adjusted IHS Markit India Manufacturing PMI® signalled a further improvement in the health of the sector. However, the headline figure was down from 52.5 in July to its lowest mark since May 2018, and below its long-run average of 53.9.

New business continued to flow in, but August saw the rate of expansion ease to a 15-month low. Firms that noted sales growth commented on successful marketing and the receipt of orders in bulk. Anecdotal evidence indicated that competitive pressures and challenging market conditions restricted the upturn. New orders from overseas also increased at a slower rate in August, with growth the weakest seen since April 2018.

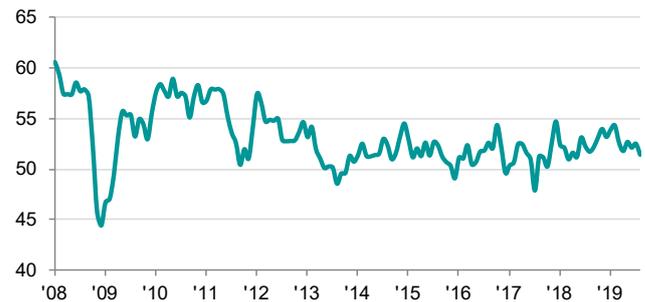
Subdued sales to domestic and international clients in turn curbed output growth, which softened to the weakest in a year. Some survey members also reported cashflow problems and a lack of available finance.

Despite remaining in expansion, employment rose only marginally, and to a lesser extent than in July. Some panellists indicated that weak sales prevented them from replacing retirees and voluntary leavers.

*continued...*

India Manufacturing PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

### Comment

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

*"August saw an undesirable combination of slowing economic growth and greater cost inflationary pressures in the Indian manufacturing industry."*

*"Most PMI indices moved lower, including key health-check measures for new orders, output and employment. In the former two cases, rates of expansion were particularly weak when we look at the survey history."*

*"Another worrying sign was the first drop in input buying for 15 months, which reflected a mixture of intentional reductions in stocks and shortages of available finance. Until manufacturers are willing to loosen the purse strings, it's difficult to foresee a meaningful rebound in production growth on the horizon."*

*"Another factor restricting quantities of purchases was a pick-up in the rate of increase in input prices. While not alarming, the acceleration in cost inflation may restrict central bank stimulus to the economy in the near-term."*

Firms also sought to curb their expenses via lowering their input buying. The fall was the first in 15 months and the fastest since mid-2017. Subsequently, holdings of raw materials and semi-finished items declined. This ended a 17-month period of accumulation.

Inventories of manufactured goods decreased further in August, taking the current stretch of depletion to 25 months. The pace of reduction was marked and the quickest since last September.

August data continued to show a lack of pressure on the capacity of suppliers, as average lead times shortened for the fifth straight month. The improvement in vendor performance was, however, only fractional.

Backlogs of work at goods producers were broadly unchanged in August, as signalled by the respective index recording only fractionally above 50.0.

Although Indian manufacturers saw their cost burdens increase to a greater extent in August, the rate of input price inflation remained below its long-run average. On the other hand, charge inflation eased as a number of factories refrained from price hikes amid efforts to boost sales.

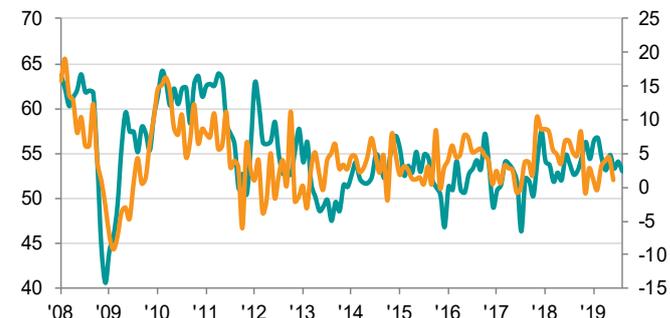
Goods producers maintained optimistic growth projections, with hopes of a pick-up in demand and marketing efforts predicted to support output in the year ahead. Sentiment strengthened to a 16-month high.

PMI Output Index

sa, >50 = growth since previous month

Manufacturing production

%yr/yr



Sources: IHS Markit, CSO.

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Methodology

The IHS Markit India Manufacturing PMI® is compiled by IHS Markit from responses to monthly 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.

August 2019 data were collected 12-23 August 2019.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

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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. To learn more go to [ihsmarkit.com/products/pmi.html](https://ihsmarkit.com/products/pmi.html).