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IHS Markit India Manufacturing PMI®

Business conditions continue to deteriorate amid regional lockdown extensions

Key findings

Manufacturing downturn eases markedly

Output and new orders fall further, but at slower rates

Firms record another sharp reduction in employment

Data collected 12-24 June

Latest PMI® data pointed to another deterioration in business conditions faced by Indian goods producers during June. The downturn was primarily driven by sharp contractions in both output and new orders, with regional lockdown extensions severely hampering demand conditions. That said, both rates of decline eased considerably from May, continuing the trend towards stabilisation since April's historic lows. Meanwhile, firms continued to reduce staff numbers at a marked pace.

At 47.2 in June, the seasonally adjusted IHS Markit India Manufacturing PMI® surged from 30.8 in May. Despite the rise, the latest reading pointed to a third successive monthly decline in the health of the manufacturing sector, albeit one that was far softer than registered in April and May.

Contributing to the further deterioration was another sharp contraction in output at the end of the second quarter. Panellists continued to suggest that coronavirus-related restrictions had constrained production capacity. That said, the rate of contraction eased considerably from May and was the softest since an expansion in March.

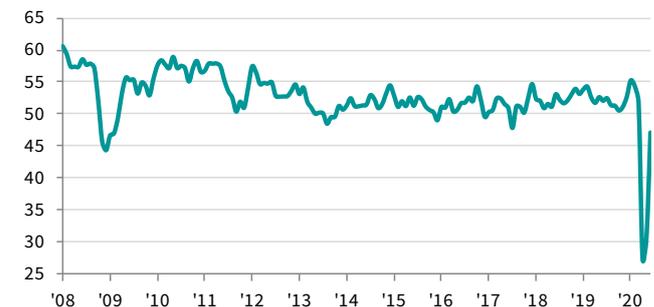
Another key factor behind the decline in operating conditions was a further decrease in new business during June. The latest contraction extended the current sequence of falling sales to three months, although the pace of reduction decelerated to the slowest since the introduction of lockdown measures in March.

Overall demand received little support from international markets, with new export orders falling for the fourth month in a row. Although the rate of decline eased to the softest since March, it remained sharp overall. When explaining the reduction in demand, panellists often cited the coronavirus pandemic.

In line with the continued deterioration in demand conditions, Indian goods producers recorded a further reduction in employment during June. Despite easing from May's survey record, the rate of workforce contraction remained among the

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:

"India's manufacturing sector moved towards stabilisation in June, with both output and new orders contracting at much softer rates than seen in April and May. However, the recent spike in new coronavirus cases and the resulting lockdown extensions have seen demand continue to weaken."

"Should case numbers continue rising at their current pace, further lockdown extensions may be imposed, which would likely derail a recovery in economic conditions and prolong the woes of those most severely affected by this crisis."

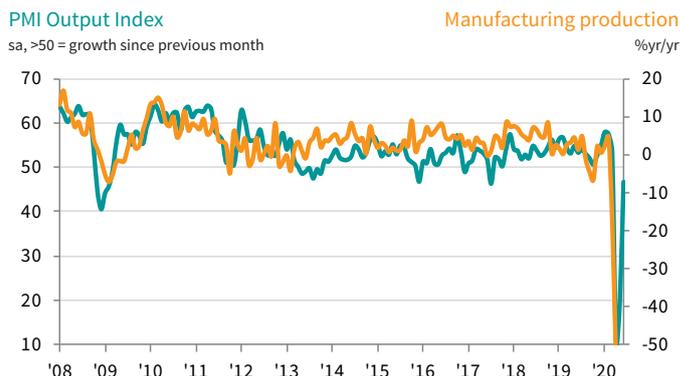
quickest since data collection began in March 2005.

Similarly, reduced output requirements saw firms continue to cut their purchasing activity, with the result extending the current run of contraction to four months. However, the latest decline in input buying was the slowest since March and only marginal overall.

On the cost front, input prices faced by Indian manufacturers continued to fall. The rate of decrease accelerated from May, but remained far softer than April's survey record.

Amid falling cost burdens, manufacturers opted to continue cutting their average output prices. Despite easing for the second month in a row, the rate was solid overall. Anecdotal evidence suggested that firms reduced charges in an attempt to support sales.

Looking forward, firms remained positive towards the 12-month business, with sentiment strengthening to a four-month high. That said, the degree of optimism remained far weaker than the historical average amid fears of a prolonged economic downturn due to the coronavirus outbreak.



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

June 2020 data were collected 12-24 June 2020.

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.