

News Release

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S&P Global India Manufacturing PMI®

Manufacturing sector sees faster growth and escalation of inflationary pressures

Key findings

Quicker increases in production and factory orders

Renewed expansion in international sales

Inflation rates surge in April

The Indian manufacturing industry enjoyed a strong start to fiscal year 2022/23, posting marked and accelerated expansions in new orders and production. International sales grew solidly, following a contraction in March. Inflationary pressures meanwhile intensified, owing to rising commodity prices, the Russia-Ukraine war and greater transportation costs. Input prices increased at the fastest pace in five months, while output charge inflation hit a 12-month high.

Rising from 54.0 in March to 54.7 in April, the seasonally adjusted S&P Global India Manufacturing Purchasing Managers' Index® (PMI®) highlighted a solid and faster improvement in operating conditions across the sector. Growth gathered momentum in the intermediate and capital goods segments, but there was a slowdown at consumer goods makers.

The retreat of COVID-19 restrictions continued to support demand, according to survey participants. The rate of new order growth was marked, above trend and faster than that seen in March.

Echoing the trend seen for new business, the rate of output growth quickened in April and outpaced its long-run average. Moreover, the latest rise in production took the current sequence of uninterrupted increases to ten months.

April data showed a rebound in new export orders, following the first contraction for nine months in March. The rate of increase was solid and the strongest since last July.

Firms signalled a further upturn in input costs during April, with chemical, electronic component, energy, metal, plastic and textile costs reportedly higher than in March. Increases were partly attributed to rising transportation fees and the war in Ukraine. The overall rate of inflation strengthened to a five-month high and outpaced its long-run trend.

Additional cost burdens continued to be shared with consumers in April, as evidenced from another increase in

India Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global.

Data were collected 11-25 April 2022.

Comment

Pollyanna De Lima, Economics Associate Director at S&P Global, said:

"The Indian manufacturing PMI remained well inside positive territory during April, recovering some of the ground lost in March. Factories continued to scale up production at an above-trend pace, with the ongoing increases in sales and input purchasing suggesting that growth will be sustained in the near-term.

"Yet, the survey continued to show a lack of pressure on firms' operating capacities alongside only mild job creation. Moreover, expectations regarding growth prospects remained subdued.

"A major insight from the latest results was an intensification of inflationary pressures, as energy price volatility, global shortages of inputs and the war in Ukraine pushed up purchasing costs. Companies responded to this by hiking their fees to the greatest extent in one year. This escalation of price pressures could dampen demand as firms continue to share additional cost burdens with their clients."

PMI®

by S&P Global

selling prices. The rate of inflation was solid and the fastest in one year.

Notwithstanding supplier price hikes, and in tandem with ongoing improvements in demand, firms purchased additional inputs in April. The upturn was sharp and the most pronounced since last November.

This contributed to a further increase in input inventories among goods producers. The rate of stock accumulation was sharp and the fastest in four months.

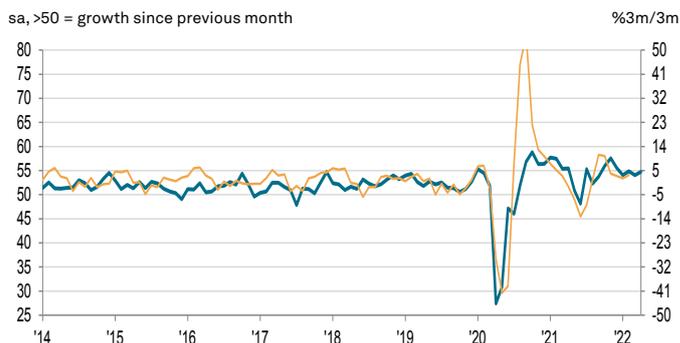
Conversely, holdings of finished products continued to fall as companies utilised existing stocks to meet delivery schedules. That said, post-production inventories decreased at a moderate pace that was the weakest in over three years.

With capacity pressures among Indian manufacturers remaining negligible, shown by a marginal rise in backlogs, there was only a mild increase in employment during April. Indeed, the vast majority of survey participants reported unchanged workforces from March's levels.

Vendor performance continued to worsen in April, albeit only modestly. Where input delivery delays were reported, monitored companies mentioned imbalances between raw material demand and supply.

Finally, there was some improvement in business confidence at the start of fiscal year 2022/23. However, the overall degree of optimism remained subdued by historical standards. Some firms foresee further improvements in demand and economic conditions, while others noted that the year-ahead outlook was difficult to predict.

■ PMI Output Index ■ Manufacturing production



Sources: S&P Global, India Federal Reserve.

Contact

Pollyanna De Lima
Economics Associate Director
S&P Global
T: +44-1491-461-075
pollyanna.delima@spglobal.com

Joanna Vickers
Corporate Communications
IHS Markit
T: +44207-260-2234
joanna.vickers@spglobal.com

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Survey methodology

The S&P Global India Manufacturing PMI® is compiled by S&P Global 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. Data collection began in March 2005.

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.

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