

Nikkei India Manufacturing PMI®

Stronger sales growth pushes output expansion to 13-month high

Key points:

- Marked and accelerated upturn in production
- Fastest rise in factory orders since December 2017
- Input buying growth picks up

Data collected January 11-25

Indian factories started 2019 on solid footing, boosting production in line with the quickest increase in order books for 13 months. At the same time, additional inputs were purchased in January as companies sought to rebuild their inventories. Meanwhile, further jobs were created, while inflationary pressures were negligible in the context of historical data.

Rising from 53.2 in December to 53.9 in January, the **Nikkei India Manufacturing Purchasing Managers' Index® (PMI®)** indicated a stronger improvement in the health of the goods producing sector. Moreover, the latest reading matched its long-run average. Faster increases in new orders, output and stocks of purchases contributed to the upward movement in the PMI.

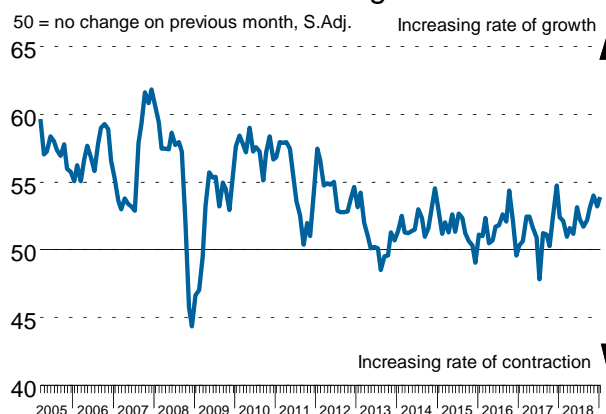
Amid reports of successful advertising campaigns, favourable economic conditions and strengthening demand, sales growth picked up in January. The increase in factory orders was the strongest seen in 13 months. Subsequently, production volumes were boosted at the start of 2019. The rate of expansion was the sharpest since December 2017 and surpassed its long-run average.

Intermediate goods makers noted the strongest increases in both new work and production compared to their consumer and investment goods counterparts.

Competitive conditions globally curbed growth of external sales, according to panel members. However, a solid increase in new orders from abroad was still recorded, and the current stretch of expansion was extended to 15 months.

Robust demand for their goods led Indian manufacturers to utilise their stocks during January. The fall in holdings of finished products was solid, but eased from December.

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Sources: Nikkei, IHS Markit.

Conversely, pre-production inventories increased in January on the back of strong input buying growth. The rise in quantities of purchases was the most pronounced since December 2017, while the accumulation in stocks was the joint-quickest in 20 months.

Indian manufacturing employment rose in January as firms adjusted capacities due to marked growth of new work. Jobs increased for the tenth straight month, albeit only slightly.

While there were reports among panellists of higher prices paid for paper, textiles, steel and synthetic rubber, firms noted lower charges for aluminium, copper, oil and plastic. Subsequently, overall cost burdens rose only modestly and at a rate that was muted by historical standards. Similarly, a slight increase in factory gate charges was registered.

Meanwhile, there was evidence of mild pressure on manufacturers' operating capacities as backlogs continued to increase slightly. At suppliers, there was no change in average performance compared to December.

The level of business sentiment in India's manufacturing industry improved to a five-month high in January. Underpinning optimism were forecasts of greater sales, favourable economic conditions and planned investment in marketing.

Comment:

Commenting on the Indian Manufacturing PMI survey data, **Pollyanna De Lima**, Principal Economist at IHS Markit and author of the report, said:

“The manufacturing industry in January made up for ground lost at the end of 2018, with new business and production expanding at rates not seen for over a year. It was largely domestic orders that fuelled the accelerations as, although export sales continued to increase, trade growth lost momentum for the second month in a row.

“Confidence towards the sustainability of the favourable demand environment drove growth of input buying to one of the quickest rates for over two years, though suppliers were able to comfortably cope with this uptick.

“The trend for employment remained encouraging, with job creation evident for the tenth month running. Further confidence in market conditions were shown by a rebound in business sentiment, which reached a five-month high. Firms are planning to increase marketing activity to further benefit from robust demand conditions and hence scale up production volumes.”

-Ends-

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Notes to Editors:

The Nikkei India Manufacturing *PMI*® is based on data compiled from monthly replies to questionnaires sent to purchasing executives in over 400 industrial companies. The panel is stratified by GDP and company workforce size. The manufacturing sector is divided into the following 8 broad categories: Basic Metals, Chemicals & Plastics, Electrical & Optical, Food & Drink, Mechanical Engineering, Textiles & Clothing, Timber & Paper and Transport.

Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'. Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease.

The Nikkei India Manufacturing *PMI*® is a composite index based on five of the individual indexes with the following weights: New Orders - 0.3, Output - 0.25, Employment - 0.2, Suppliers' Delivery Times - 0.15, Stock of Items Purchased - 0.1, with the Delivery Times Index inverted so that it moves in a comparable direction.

IHS Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from IHS Markit. Please contact economics@ihsmarkit.com.

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