

## IHS Markit India Manufacturing PMI®

### Output rises at joint-slowest pace in one-and-a-half years

#### Key findings

Subdued sales expansion hampers production growth

Exports increase at slowest rate in close to two years

Further decline in quantities of purchases

Indian manufacturers were again hit by subdued demand conditions domestically and externally, which led them to limit production, lower inventories and reduce input buying. At the same time, business confidence sank to one of the lowest levels seen in over two-and-a-half years.

Notably, input cost inflation moderated to one of the lowest rates seen in over a decade. Subsequently, there was only a marginal rise in selling prices.

The headline seasonally adjusted IHS Markit India Manufacturing PMI® was at 51.4 in September, unchanged from August and thereby posting its joint-lowest reading since May 2018. The figure still showed an improvement in the health of the sector, although one that was historically subdued.

Looking at the second quarter of fiscal year 2019/20 as a whole, the PMI pointed to the joint-weakest quarterly performance since the same period in 2017. Consumer goods producers saw a strong improvement in operating conditions during the quarter, with a modest strengthening evident at intermediate goods makers and contraction in the capital goods segment.

Aggregate manufacturing production rose in September, but the pace of expansion was the joint-slowest since March 2018. Anecdotal evidence indicated that improved technology and new business gains at some firms boosted output, while other companies lowered production due to muted demand.

Although total sales rose further in September, the pace of increase was among the weakest seen in the current 23-month sequence of uninterrupted expansion. Growth was centred on the consumer goods sector, with declines registered in the other two monitored categories.

Concurrently, new export orders moved closer to stagnation, with September seeing only a fractional upturn in international

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:

"We've seen the gradual slowdown in manufacturing sector conditions continue in the second quarter of fiscal year 2019/20, with the PMI average for the quarter at its joint-lowest since the same period in 2017.

"In September alone, forward-looking indicators such as business confidence and quantities of purchases were down, suggesting that companies are bracing themselves for difficult times ahead.

"That said, public policy stimulus could potentially help the sector gain growth momentum, such as another reduction in the benchmark interest rate in August and the recent announcement of cuts to corporate taxes.

"In light of the weak results for economic growth and muted inflationary pressures signalled by the PMI data, we expect to see further monetary easing in the months ahead."

sales that was the weakest in the current run of growth.

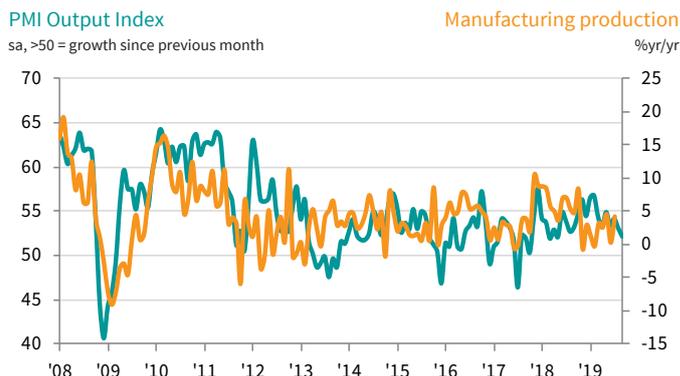
Bleak demand conditions, in turn, caused a second successive decline in quantities of purchases among Indian manufacturers. As a result, there were back-to-back falls in input stocks.

Holdings of finished products likewise contracted, which survey members attributed to weak production and the fulfilment of orders from inventories.

Indian manufacturers reported a marginal increase in outstanding business during September. This encouraged further job creation in the sector. The rise in employment was similar to the slight pace noted in the prior survey period.

Meanwhile, a lack of demand for raw materials and semi-finished items acted to curb inflation in September. The rate of increase in overall cost burdens was among the weakest seen in a decade. Similarly, a marginal rise in selling prices was recorded.

September data highlighted a dip in business sentiment among Indian goods producers. The degree of optimism was the second-lowest registered in over two-and-a-half years. Some firms expect a pick-up in demand and investment in marketing to lift output in the year ahead, while others were concerned about competitive pressures and tough market conditions.



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.

September 2019 data were collected 12-24 September 2019.

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

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