Nikkei India Manufacturing PMI®

Further slowdown in manufacturing sector growth in India

Key points:
- Weakest improvement in business conditions since August 2018
- Softer increase in production mirrors slower rise in sales
- Exports remain a source of strength

Data collected April 10-24

A softer increase in new orders created a domino effect in the Indian manufacturing industry, restricting growth of output, employment, input buying and business sentiment. The one bright spot in April was exports, which expanded solidly and at a slightly quicker pace than in March. The overall slowdown in the sector was accompanied by cooling rates of inflation.

Broken down by sector, capital goods was the key source of weakness, recording contractions in new business and output. Growth was meanwhile sustained at both consumer and intermediate goods makers.

The Nikkei India Manufacturing Purchasing Managers’ Index® (PMI®) declined from 52.6 in March to 51.8 in April. This indicated a slight improvement in the health of the sector that was the slowest in eight months and weaker than the average for the 14-year survey history.

New business growth moderated at the start of fiscal year 2019, reportedly curbed by the elections and a challenging economic environment. The increase in order book volumes was the weakest in eight months. International trade contributed to the rise in total sales, with new export orders expanding at a solid rate that was marginally quicker than in March.

The slowdown in growth of total sales, coupled with cashflow difficulties and competitive pressures, hampered output expansion in April. Although production rose, the increase was the slowest since last September.

As a result, holdings of finished items continued to decline. Furthermore, the pace of depletion was the quickest in seven months.

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50 = no change on previous month, S.Adj.

Increasing rate of growth

Increasing rate of contraction

50 = no change on previous month, S.Adj.

Sources: Nikkei, IHS Markit.

Amid reports of sufficient workforce numbers to cope with existing workloads, the vast majority of companies withheld hiring in April. Aggregate manufacturing employment rose, but only fractionally and to the weakest extent in the current 13-month sequence of job creation.

Similarly, quantities of purchases expanded marginally and at the slowest pace since the latest stretch of growth started in mid-2018. Anecdotal evidence suggested that low funds at some firms prevented them from buying additional materials in April. In turn, stocks of purchases rose at the joint-weakest pace since last August.

Price pressures subsided in April. Input cost inflation eased to a 43-month low and factories responded by lifting their own fees to a lesser extent. The rate of charge inflation was marginal and below its long-run average.

Meanwhile, there were signs of a lack of pressure on the capacity of both manufacturers and their suppliers. The latter was evidenced by broadly unchanged delivery times. Concurrently, a marginal uptick in outstanding business was noted at factories, one that was the slowest in six months.

Output expectations remained positive in April, with optimism supported by post-election growth predictions. A number of firms plan to expand capacity and invest in advertising in order to boost sales and production in the year ahead.
Comment:

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

“April PMI data signalled another slight improvement in the health of the Indian manufacturing economy, helped by ongoing growth of new order intakes. Although remaining inside expansion territory, growth continued to soften and the fact that employment increased at the weakest pace for over a year suggests that producers are hardly gearing up for a rebound.

“When looking at reasons provided by surveyed companies for the slowdown, disruptions arising from the elections was a key theme. Also, firms seem to have adopted a wait-and-see approach on their plans until public policies become clearer upon the formation of a government.

“With price pressures in the manufacturing economy cooling and growth losing momentum, it’s increasingly likely that the RBI may cut its official rate for a third successive time in June.”

-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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