

# IHS Markit India Manufacturing PMI®

## Manufacturing sector growth moves up a gear

### Key findings

Output increases at third-fastest pace in survey history

Sharp expansion in new work intakes

Renewed rise in export sales

Data collected 11-24 September

After returning to expansion territory in August, manufacturing sector growth gathered momentum in September. The PMI® reached its highest mark since January 2012, supported by accelerated increases in new orders and production. Concurrently, there were renewed expansions in export sales and input stocks as well as an improvement in business confidence. Output prices rose for the first time in six months, reflecting an uptick in input costs.

The headline seasonally adjusted IHS Markit India Manufacturing Purchasing Managers' Index® (PMI®) increased from 52.0 in August to 56.8 in September, signalling back-to-back improvements in the health of the sector. Moreover, the latest reading was the highest in over eight-and-a-half years.

Amid reports of loosened coronavirus disease 2019 (COVID-19) restrictions and higher demand, Indian manufacturers lifted output for the second straight month in September. The increase was sharp and the third-quickest in the history of the survey.

Similarly, there were back-to-back increases in new business inflows. The rate of expansion picked up to the fastest since early-2012.

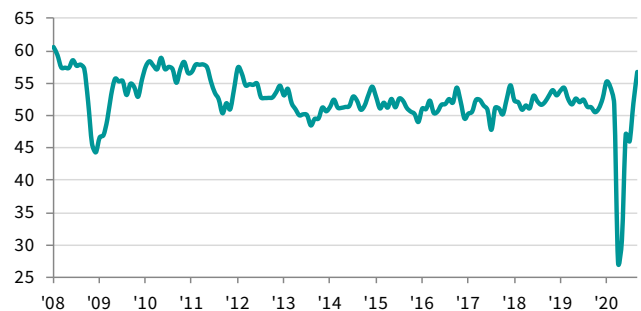
The upturn in total sales was supported by a renewed expansion in new export orders, the first since prior to the escalation of the COVID-19 outbreak.

Despite strong growth of order book volumes, Indian goods producers signalled another reduction in payroll numbers. In many cases, this was attributed to efforts to observe social distancing guidelines. Employment has now decreased for six consecutive months.

As a result of lower headcounts and rising sales, companies

India Manufacturing PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

### Comment

Commenting on the latest survey results, Pollyanna De Lima, Economics Associate Director at IHS Markit, said:

*"The Indian manufacturing industry continued to move in the right direction, with PMI data for September highlighting many positives. Due to loosened COVID-19 restrictions, factories went full steam ahead for production, supported by a surge in new work.*

*"Exports also bounced back, following six successive months of contraction, while inputs were purchased at a sharper rate and business confidence strengthened.*

*"One area that lagged behind, however, was employment. Some companies reported difficulties in hiring workers, while others suggested that staff numbers had been kept to a minimum amid efforts to observe social distancing guidelines.*

*"When we look at the PMI average for the second quarter of fiscal year 2020/21, the result is in stark contrast to that seen in the first quarter: a rise from 35.1 to 51.6. While uncertainty about the COVID-19 pandemic remains, producers can at least for now enjoy the recovery."*

noted a further increase in their backlogs of work. The rate of accumulation was marked, despite softening from August's recent high.

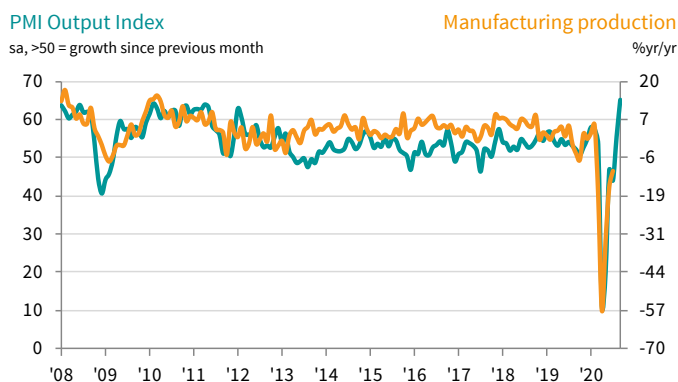
Manufacturers stepped up purchasing activity in line with greater production needs. Furthermore, the increase in input buying was the strongest in over eight-and-a-half years.

This placed additional pressure on supply chains as evident by a further increase in delivery times. Monitored companies mentioned labour and material shortages at their distributors. Vendor performance, however, worsened to the least extent since March.

As for stocks, there were contrasting trends. Holdings of inputs increased for the first time in six months, albeit slightly. At the same time, inventories of finished goods decreased at a sharp and accelerated rate as companies utilised stocks to follow through on their sales contracts.

On the price front, there was a softer and historically weak rise in input costs. Firms reported higher prices paid for a few materials such as aluminium and steel. Output charges, meanwhile, broadly stabilised following five successive months of reduction.

Almost one-third of manufacturers expect output growth in the coming 12 months, against 8% that foresee a contraction, resulting in the strongest degree of overall optimism in over four years. Upbeat projections reflected hopes of fewer coronavirus cases, projects in the pipeline and enquiries from new clients.



Sources: IHS Markit, CSO.

## Contact

Pollyanna De Lima  
Economics Associate Director  
IHS Markit  
T: +44 149 146 1075  
[pollyanna.delima@ihsmarkit.com](mailto:pollyanna.delima@ihsmarkit.com)

Bernard Aw  
Principal Economist  
IHS Markit  
T: +65 6922 4226  
[bernard.aw@ihsmarkit.com](mailto:bernard.aw@ihsmarkit.com)

Katherine Smith  
Public Relations  
IHS Markit  
T: +1 781 301 9311  
[katherine.smith@ihsmarkit.com](mailto:katherine.smith@ihsmarkit.com)

### 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](mailto:economics@ihsmarkit.com).

### Survey dates and history

September 2020 data were collected 11-24 September 2020.

Survey data were first collected March 2005.

### Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index® and PMI® are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.

### About IHS Markit

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2020 IHS Markit Ltd. All rights reserved.

If you prefer not to receive news releases from IHS Markit, please email [katherine.smith@ihsmarkit.com](mailto:katherine.smith@ihsmarkit.com). To read our privacy policy, [click here](#).

### About PMI

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](https://ihsmarkit.com/products/pmi.html).