

# IHS Markit India Manufacturing PMI®

## Factory orders and output expand at quicker rates in September

### Key findings

Production growth boosted by stronger new order inflows

Companies scale up input buying

Input cost inflation accelerates

Data collected 13-24 September

The recovery of the Indian manufacturing industry was extended to September, as companies benefited from strengthening demand conditions amid the easing of COVID-19 restrictions. With sales rising at a stronger rate, firms scaled up production and purchased additional inputs. There was also a faster upturn in international sales and an improvement in business confidence.

Price pressures, which receded in each of the prior two months, intensified in September due to lingering shortages of raw materials as well as higher fuel and transportation costs.

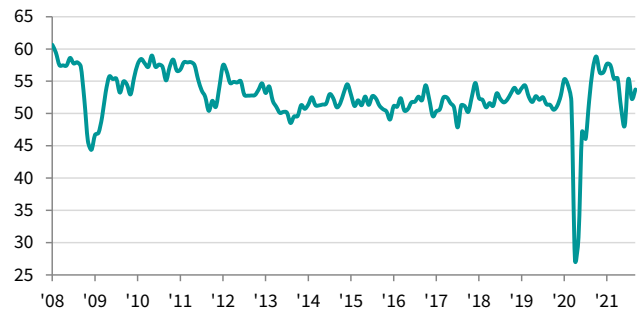
Rising from 52.3 in August to 53.7 in September, the seasonally adjusted IHS Markit India Manufacturing Purchasing Managers' Index® (PMI®) highlighted a stronger expansion in overall business conditions across the sector. For the second quarter of fiscal year 2021/22, the PMI averaged 53.8, a sizeable improvement from 51.5 in the opening quarter.

Consumer goods was the brightest spot in September, posting the highest PMI reading of the three monitored market groups amid substantial accelerations in growth of new orders and output.

Aggregate manufacturing production in India rose for the third straight month in September, and at a faster pace than that recorded in August. Where growth was reported, panel members cited favourable market conditions and improved sales volumes.

Indeed, new work intakes continued to expand in September. The rate of increase was solid and quickened from August. Anecdotal evidence indicated that demand conditions improved in part due to looser COVID-19 restrictions. Some panellists also linked growth to new client wins and successful marketing.

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:

*"Indian manufacturers lifted production to a greater extent in September as they geared up for improvements in demand and the replenishment of stocks. There was a substantial pick-up in intakes of new work, with some contribution from international markets."*

*"Companies continued to purchase extra inputs in September, but jobs were little changed over the month. In some instances, survey participants indicated that government guidelines surrounding shift work prevented hiring."*

*"After subsiding in each of the previous two months, cost inflationary pressures intensified in September. Strong demand for scarce products contributed to the increase in input costs, as did rising fuel and transportation rates."*

*"Only a small proportion of this additional cost burden was passed on to clients, however, as seen by a slower and only modest increase in factory gate charges."*

International demand for Indian goods also strengthened in September, although there were mentions among some firms that the pandemic restricted international sales. New export orders expanded at a faster rate than in August, though one that was modest overall.

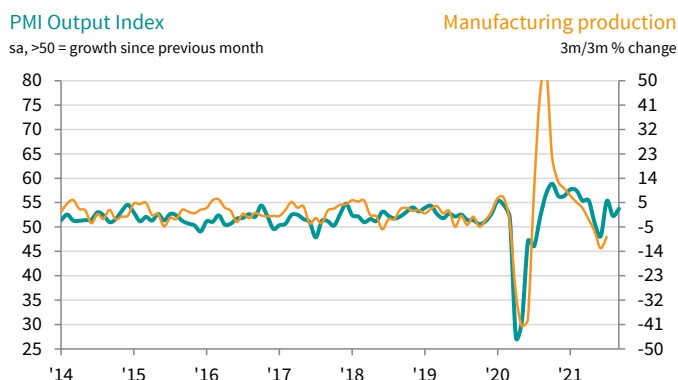
To accommodate for rising sales and progress with production schedules, companies purchased additional raw materials and semi-finished items. The pace of input buying growth was marked in the context of historical data and quickened from August.

Another factor that supported the uptick in input buying was a common view that production would increase in the year ahead. Companies forecast further growth of sales as pandemic-related restrictions continue to ease.

September data highlighted little change to manufacturing sector employment during September, as many firms reported the compliance of government guidelines surrounding shift work.

There were diverging trends regarding stocks. Pre-production inventories rose at a substantial pace as firms sought to ensure that current and future demand needs are met. Holdings of manufactured goods continued to fall sharply amid the immediate dispatch of items to clients.

Finally, rising fuel, raw material and transportation prices pushed the overall rate of input cost inflation to a five-month high. Output prices, however, increased at a slower and only moderate rate.



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### 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

Data were collected 13-24 September 2021.

Survey data were first collected March 2005.

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### 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).