NIKKEI

PMI By IHS Markit

News Release

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Nikkei India Manufacturing PMI®

PMI at 14-month high as increases in sales, output and employment accelerate

Key points:

- Strongest improvement in business conditions since December 2017
- Sharpest rise in factory orders for 28 months...
- ...underpins faster increases in production and employment

Data collected February 12-22

The health of the Indian manufacturing sector strengthened further in February, with a sharp and accelerated increase in sales boosting growth of output and employment. There was a solid rise in input buying and a modest accumulation in pre-production inventories, but stocks of finished goods decreased as firms utilised them to fulfil orders. Rates of both input cost and output charge inflation remained subdued by historical standards, despite picking up from January.

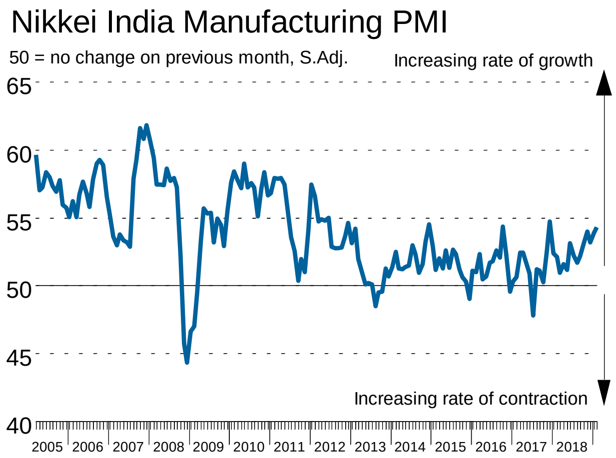
At 54.3 in February, up from 53.9 in January, the **Nikkei India Manufacturing Purchasing Managers' Index® (*PMI®*)** reached a 14-month high. The latest figure was consistent with a robust improvement in business conditions that was stronger than seen on average over the 14-year survey history.

Amid reports of successful advertising efforts, supportive government policies and strengthening demand conditions, inflows of new work at Indian goods producers continued to expand during February. The increase was the sixteenth in as many months and the most pronounced since October 2016.

Growth of total order books was supported by gains from international sources, as seen by a marked and accelerated upturn in new export work. A number of panellists indicated the acceptance of bulk orders from clients in key export destinations.

Manufacturing output rose at the quickest rate since December 2017, boosted by strong inflows of new business, technological progress, beneficial public policies and positive market conditions.

Despite the uptick in production volumes, holdings of finished goods declined again. Moreover, the pace of depletion accelerated from January and was solid overall. Survey members indicated that stocks were utilised to fulfil order requirements.



Sources: Nikkei, IHS Markit.

Conversely, pre-production inventories increased in February for the twelfth month in a row. Data implied that this occurred due to ongoing growth of input buying. Quantities of purchases expanded solidly, and at a rate similar to January's 13-month high. Meanwhile, job creation was sustained, taking the current spell of growth to 11 months. Moreover, the upturn was the joint-quickest in over one year.

Input costs increased, with firms citing higher prices for iron, steel, chemicals, plastic, tobacco and tools. Despite quickening to a three-month high, the rate of inflation was much weaker than its long-run average. Companies suggested that relatively subdued cost pressures stemmed from lower fees for aluminium, copper, synthetic rubber, cotton and gas. Similarly, the rise in factory gate charges was weak in the context of historical data.

Suppliers' delivery times where broadly unchanged in February, as signalled by the respective index posting close to the 50.0 no-change mark. Concurrently, manufacturers indicated that their own backlogs rose due to delayed payment from clients in the public and private sectors.

Comment:

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

"The Indian manufacturing sector made further progress midway through the final quarter of FY18, building on the accelerated upturn noted in

January. Sharper growth in production and sales were matched by the establishment of new jobs. The upturn in employment was one of the best seen for six-and-a-half years, as goods producers sought to expand output capacities to meet strengthening demand from both domestic and external sources.

"The survey results suggest that manufacturing will likely provide a stronger contribution to overall economic growth in the final quarter, provided that March's figures stay on this favourable path. For FY19, IHS Markit has revised higher its GDP growth forecast, from 7.0% to 7.1%, amid the announcement of fiscal stimulus for the new interim budget and the policy rate cut announced in February."

-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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