

IHS Markit India Manufacturing PMI®

Indian manufacturers see another sharp deterioration in business conditions

Key findings

Output and new orders continue to plummet

Rate of job shedding accelerates

Business sentiment remains subdued

Data collected 12-22 May

Amid the ongoing coronavirus lockdown, Indian manufacturers recorded another sharp deterioration in business conditions during May. Weaker demand drove output lower following April's record decline. Consequently, firms cut staff numbers at the quickest pace since data collection began over 15 years ago.

At 30.8 in May, the seasonally adjusted IHS Markit India Manufacturing PMI® rose from 27.4 in April. The latest reading pointed to another substantial decline in the health of the Indian manufacturing sector, albeit one that was slightly softer than recorded in April.

In a sign of further demand weakness, new orders placed with goods producers continued to fall after April's record contraction. The rate of decline decelerated but was still the second-fastest since the series' inception in March 2005. Panellists often mentioned prolonged closures at their clients when explaining the latest reduction in sales.

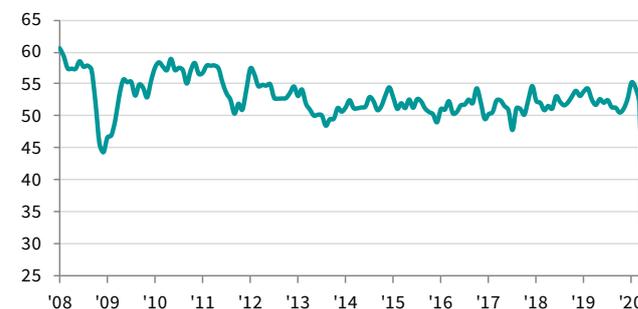
Weak demand from international markets added to the deteriorating sales trend, with new business from abroad plunging further in May. Anecdotal evidence suggested that global measures to stem the spread of COVID-19 continued to stifle exports.

Faced with a further deterioration in demand conditions, firms continued to cut back production midway through the second quarter. The reduction was slower than April's unprecedented decline, but still severe overall.

Lower production requirements saw Indian manufacturers continue to reduce worker numbers in May. Moreover, the rate of workforce contraction accelerated to the fastest in the survey's history, eclipsing the previous record set in April.

Similarly, goods producers needed fewer physical inputs in May and subsequently pared back their purchasing activity. The pace of decline was softer than in April, but remained historically marked.

India Manufacturing PMI
sa, >50 = improvement since previous month



Source: IHS Markit.

Comment

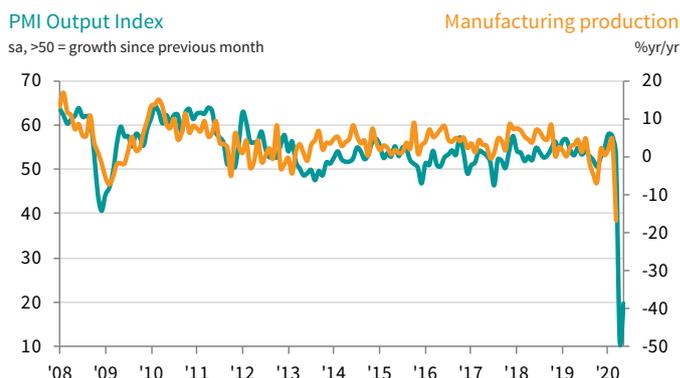
Commenting on the latest survey results, Eliot Kerr, Economist at IHS Markit, said:

"The latest PMI data suggested that Indian manufacturing output fell further in May. This result is particularly poignant given the record contraction in April which was driven by widespread business closures. The further reduction in May highlights the challenges that businesses might face in the recovery from this crisis, with demand remaining subdued while the longevity of the pandemic remains uncertain."

Meanwhile, input prices faced by Indian manufacturers continued to fall. Though solid overall, the rate of reduction eased considerably from April's record. Panel members often mentioned that their suppliers had cut prices in an attempt to secure orders.

Firms opted to pass on lower costs to their clients, with another decrease in average output charges during May. In line with the trend for input prices, the latest reduction was far softer than that recorded in April.

Finally, Indian manufacturers remained optimistic towards the one-year business outlook in May. Confidence was supported by expectations for a return to growth once all coronavirus-related restrictions are lifted. That said, the degree of positivity eased slightly from April and remained historically subdued.



Sources: IHS Markit, CSO.

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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.

Survey dates and history

May 2020 data were collected 12-22 May 2020.

Survey data were first collected March 2005.

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