Nikkei India Manufacturing PMI™

Strongest upturn in new orders since last September

Key points:

- New business growth accelerates in February...
- ...but production expands at softer pace
- Manufacturers lower their selling prices for first time in five months

Summary:

Manufacturing business conditions in India continued to improve, with new orders, exports, output and purchasing activity all rising in February. However, a faster expansion in new business inflows failed to lift growth of output and workforce numbers were left broadly unchanged again. PMI data also highlighted a weaker rise in costs and the first reduction in selling prices since September 2015.

At 51.1 in February, unchanged from January's reading, the seasonally adjusted Nikkei India Manufacturing *Purchasing Managers' Index*™ (*PMI*)™ – a composite single-figure indicator of manufacturing performance – pointed to a second consecutive monthly improvement in business conditions across the sector.

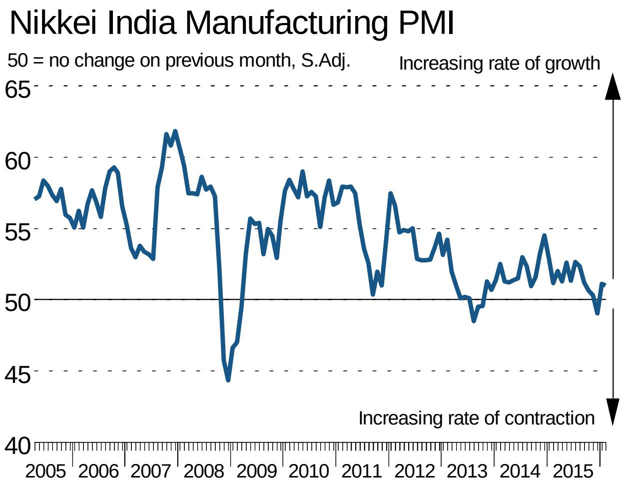
Reflecting sustained growth of new work, Indian manufacturers raised their production volumes in February. That said, the rate of expansion eased since January and was marginal overall.

Incoming new work increased for the second straight month and at the quickest rate since last September. According to survey members, underlying demand continued to improve. New business from abroad also rose, although February saw a loss of growth momentum.

Sub-sector data indicated that consumer goods was the best performing category, where growth rates for output and new orders surpassed those seen at intermediate goods firms. Concurrently, the investment goods industry saw a deterioration in business conditions, with output and new orders remaining in contraction territory.

Supported by a softer increase in input costs and as part of efforts to secure new work, Indian manufacturers lowered their average selling prices in February for the first time in five months. The rate of discounting was, however, only marginal.

Historical Overview:



Sources: Nikkei, Markit

Input costs rose for the fifth month running in February, but at the weakest rate in this sequence. Data implied that falling oil prices were offset by higher prices paid for imported raw materials such as metals, which survey members linked to the depreciation of the rupee against the US dollar.

February data highlighted broadly unchanged levels of employment across the Indian manufacturing sector. Anecdotal evidence indicated that firms held off hiring amid an increasing degree of cost-consciousness in the face of relatively soft demand conditions.

Manufacturers' buying levels rose for the second successive month, albeit at a weaker pace. Meanwhile, input stocks increased, whereas holdings of finished goods declined for the eighth straight month.

Finally, backlogs of work were accumulated amid reports of delayed payments from clients.

Comment:

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

"The Indian manufacturing economy edged further in the right direction during February, eking out modest gains in new orders and output. However,

these positive developments failed to feed through to the labour market and staffing numbers were left unchanged. Although businesses saw a stronger rise in new work, data implied that this was partly driven by price reductions.

“Goods producers continue to benefit from lower crude oil prices in global markets, which put a brake on inflationary pressures. In light of these numbers, the RBI has scope to loosen monetary policy to spur the economy.”

-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 300 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.
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 Markit. Please contact economics@markit.com.

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