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Nikkei India Manufacturing PMI®

Output expands at a weaker pace in March

Key points:

- PMI registers at 51.0 in March
- Output and new orders rise, but at weaker rates
- Employment decreases for the first time in eight months

Data collected March 12-23

Manufacturing conditions improved for the eighth consecutive in March, but at the weakest pace since October. This reflected softer expansions in new work and output, and a decline in employment for the first time in eight months. On a positive note, the recent build-up of inflationary pressures eased in March, with softer increases in both input costs and output prices recorded.

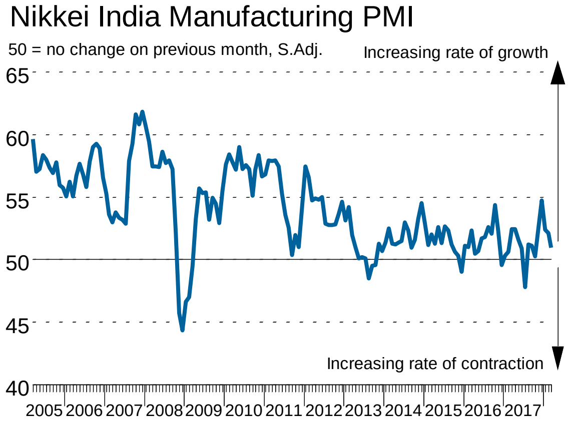
The Nikkei India *Manufacturing Purchasing Managers' Index® (PMI®)* fell from 52.1 in February to a five-month low of 51.0 in March. This indicated the slowest improvement in operating conditions recorded by the survey since last October.

Indian goods manufacturers raised their output for the eighth successive month during March. Higher production was mainly linked to new order growth and favourable demand conditions. However, the degree to which output rose was modest and the weakest since October. Growth was reported across all three broad market groups, led by consumption goods.

New business placed at manufacturing companies rose for the fifth consecutive month during March. Where an increase was registered, firms linked this to improvements in market demand from both domestic and international markets. That said, the rate of growth eased to the weakest pace in the current sequence, reflecting the slowest gain in new export orders since November.

Amid reports of spare operating capacity, firms reduced their payroll numbers for the first time in eight months, albeit at a fractional pace.

There was some pressure on supply chains as average lead times continued to lengthen during March (the third month in a row). That said, the latest deterioration in vendor performance was marginal.



Sources: Nikkei, IHS Markit.

As has been the case since last November, Indian manufacturers raised their purchasing activity. Subsequently, pre-production inventories rose in March following a decline in February. Greater inflows of new work encouraged firms to raise their inventories, according to panellists.

March saw a further increase in input costs. Although marked overall, inflation moderated from February's recent peak and registered below the series trend. Respondents commented on greater demand for raw materials, with prices for chemicals and steel reportedly up since February.

Indian manufacturers raised their output charges in March, thereby extending the period of inflation to eight months. Survey respondents attributed a rise in selling prices to the pass-through of higher cost burdens to clients. However, partly reflecting slower cost increases, output charge inflation was marginal and the weakest in the current sequence.

Indian manufacturing firms retained business confidence towards the 12-month outlook for output. Positive sentiment was widely supported by marketing initiatives and expectations that client demand will continue to improve over the year ahead. That said, the degree of optimism remained below the series average.

Comment:

Commenting on the Indian Manufacturing PMI survey data, **Aashna Dodhia,** Economist at IHS Markit and author of the report, said**:**

"India's manufacturing sector continued to grow, albeit at the weakest pace since October, reflecting weaker gains in new business and a decline in employment for the first time in eight months.

"New export orders rose during March, thereby marking a five-month period of growth. The impact of US tariffs on steel and aluminium on India is expected to be limited, as India's exports in both metals to the US accounted for less than 0.4% of total merchandise exports. On a negative note, further advances in trade disputes could potentially weigh on sales to international clients.

"Meanwhile, PMI employment data signalled warning signs in the labour market as jobs growth was not sustained in March amid reports of spare operating capacity. The market group breakdown revealed manufacturers operating in consumption and intermediate market groups signalled no appetite for recruitment.

"Lastly, business sentiment remained weak in the context of historical data reflecting some concerns regarding business prospects over the next 12 months. Indeed, amid a slower expected pace of recovery in consumer spending, IHS Markit marginally downgraded its real GDP forecast to 7.3% for fiscal year 2018/2019."

-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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