

Nikkei India Manufacturing PMI[®]

Business conditions improve, but at a slower pace in May

Key points:

- Headline PMI index registers at 51.2 in May
- Output and new orders rise at a slower pace
- Cost pressures intensify in May

Data collected May 11-24

Latest survey data signalled a further, albeit weaker, improvement in Indian manufacturing conditions. This was reflected by weaker expansions in output and new orders and employment. Inflationary pressures intensified with both input and output prices rising at the fastest pace since February. Looking ahead, business optimism was weak by historical standards.

The Nikkei India *Manufacturing Purchasing Managers' Index*[®] (PMI[®]) fell from 51.6 in April to 51.2 in May. The latest upturn signalled a marginal improvement in the health of the manufacturing sector. Overall, the respective index registered above the neutral 50.0 threshold for the tenth consecutive month.

Manufacturing output rose in May, thereby marking a 10-month sequence of expansion. Where an increase was reported, panellists commented on an improvement in demand conditions. However, the rate of increase slowed to a modest pace. Greater production in consumption and intermediate groups continued to outweigh a decline in investment goods.

In line with the trend for output, new orders placed at Indian manufacturing companies rose in May. Panellists suggested that enhanced marketing initiatives supported new client wins. As was the case with output, the latest upturn was modest. Meanwhile, amid reports of greater demand from international markets, Indian manufacturers reported the strongest gain in new export orders since February.

Reflecting the trends observed in output and new orders, firms raised their staffing levels in May, albeit at a softer pace. Greater production requirements were cited as the key reason behind the latest rise in employment.

Nikkei India Manufacturing PMI



Sources: Nikkei, IHS Markit.

Latest survey data indicated a back-to-back monthly rise in outstanding business during May. Survey respondents linked this to delayed client payments and greater volumes of new business.

Purchasing activity declined for the first time in seven months in May, albeit only fractionally. Meanwhile pre-production items held by Indian manufacturing companies rose at a slower pace. Stocks of finished goods, on the other hand, declined further in May. Despite easing from April's survey record, the rate of contraction was sharp.

Indian manufacturing companies faced higher input costs in May, thereby stretching the current sequence of inflation to 32 months. Panellists commented on higher prices for raw materials such as oil and steel. Reflecting higher cost burdens, firms raised their selling prices in May. Both input and output price inflation picked-up to the strongest since February.

Businesses remained confident towards the 12-month outlook for output in May. An expected improvement in demand conditions boosted optimism, according to anecdotal evidence. That said, the respective index remained below the historical average.

Comment:

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

“The latest PMI survey signalled a further, albeit slower, improvement in the health of the manufacturing sector in May. This was reflective of weaker expansions in output, employment and new business. On the other hand, the gain in new orders from overseas markets was the strongest since February.”

“A build-up of inflationary pressures re-emerged with input cost and output charge inflation at the strongest since February, due to the upswing in global oil prices. As a net importer of crude oil, this could potentially destabilise India’s recovery, particularly in private consumption. At the same time, IHS anticipates that high oil prices will lead to a further depreciation of the Indian rupee and a wider current account deficit. Subsequently, in efforts to contain inflation and maintain financial stability, it is likely that the RBI will raise interest rates over the summer.”

-Ends-

Nikkei India Manufacturing PMI[®] is sponsored by

Nikkei is a media organization with newspaper publishing at its core. Our flagship daily newspaper, The Nikkei, has approximately two and a half million subscribers. Nikkei's multi-platform media distribution also includes online, broadcast and magazines.

Since our founding in 1876 as the Chugai Bukka Shimpo (Domestic and Foreign Prices News), we have consistently provided high-quality reporting while maintaining fairness and impartiality. The Nikkei brand has become synonymous with trustworthiness at home and abroad.

Nikkei Inc. offers a range of media platforms to satisfy the diverse needs of our readers. At the core of these services is The Nikkei which has a circulation of approximately two and a half million. Adding further depth to our offerings are our premium content and strong digital technology. The number of paying subscribers to the Nikkei Online Edition, which was launched in 2010, has surpassed 500,000. Our fee-based online services have one of the largest readerships in the world among newspaper publishers. Eight years after its creation, the online edition has evolved from a medium for providing news to readers into a tool that helps people advance their careers.

In 2013, we kicked off the Nikkei Asian Review, an English-language news service provided both online and as a weekly print magazine. The following year, we established an Editorial Headquarters for Asia in Bangkok to deepen our coverage of Asian economic news. In addition, we doubled the number of reporters stationed in Asia outside Japan. 2014 also saw the launch of Nikkei Group Asia Pte., a new company in Singapore tasked with spreading the Nikkei brand in the region. Our goal is to make Nikkei the leading media voice in Asia.

<http://www.nikkei.co.jp/nikkeiinfo/en/>
<http://asia.nikkei.com/>

INTRODUCING THE ONLY BUSINESS PUBLICATION THAT BRINGS YOU INSIGHTS ABOUT ASIA, FROM THE INSIDE OUT

With more reporters and contributors across the region than any other business publication, only Nikkei Asian Review can give you a view of business in Asia from the inside.

Stay abreast of the latest news, analysis and insights with a subscription to Nikkei Asian Review – available in print, online, and on your mobile and tablet device.



Asia300:

Providing extensive coverage of over 300 leading companies in 11 countries and regions in Asia. Nikkei Asian Review aims to build the largest hub for Asian corporate news through enhanced reporting backed by large database of business and financial information on companies in the region.



JAPAN UPDATE:

Keeping you up-to-date with business and news from Japan.



VIEWPOINTS:

Bringing views of leading minds on Asia from around the world, including our column "Tea Leaves" written by some of our best writers.



POLITICS & ECONOMY:

Looking at fiscal and monetary policy, international affairs and more.



MARKETS:

Deep analysis of the markets, with detailed industry news to keep you abreast of some of the fastest growing sectors in the region.



Video:

Watch analysts explain our articles, catch interviews with top executives.



Print Edition:

Weekly delivery of the best content from Nikkei Asian Review to your home or office.

For further information, please contact:

IHS Markit (About PMI and its comment)

Aashna Dodhia, Economist
Telephone 44 1491 461 003
Email aashna.dodhia@ihsmarkit.com

Joanna Vickers, Corporate Communications
Telephone 44 207 260 2234
E-mail joanna.vickers@ihsmarkit.com

Bernard Aw, Principal Economist
Telephone 65 6922 4226
E-mail bernard.aw@ihsmarkit.com

Nikkei inc. (About Nikkei)

Ken Chiba, Deputy General Manager, Public Relations Office
Atsushi Kubota, Manager, Public Relations Office
Telephone 81-3-6256-7115
Email koho@nex.nikkei.co.jp

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.

About IHS Markit (www.ihsmarkit.com)

IHS Markit (Nasdaq: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2018 IHS Markit Ltd. All rights reserved.

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. To learn more go to www.markit.com/product/pmi.

The intellectual property rights to the Nikkei India Manufacturing *PMI*[®] provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. *Purchasing Managers' Index*[®] and *PMI*[®] are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. Nikkei use the above marks under license. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.

If you prefer not to receive news releases from IHS Markit, please email joanna.vickers@ihsmarkit.com. To read our privacy policy, [click here](#).