Nikkei India Manufacturing PMI®

Business conditions improve at the strongest pace in 2018 so far

Key points:

- Headline PMI index increases to 53.1 in June
- Output and new orders rise at the fastest rates in 2018 so far
- Input cost inflation at the sharpest since July 2014

Data collected June 12-25

India's manufacturing conditions improved in June at the strongest pace since December 2017, supported by the sharpest gains in output and new orders in 2018 so far. Reflecting greater production requirements, firms were encouraged to engage in purchasing activity and raise their staffing levels.

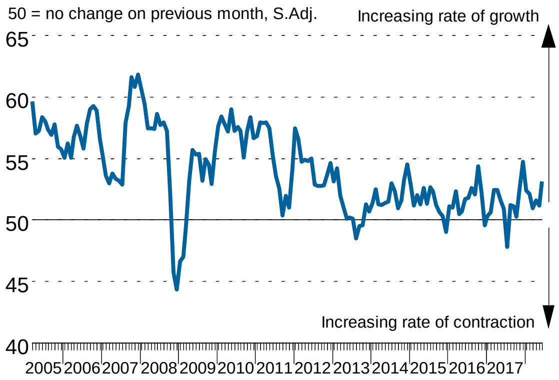
On the price front, input cost inflation was the sharpest since July 2014, whilst output charges rose at a stronger pace. Business confidence eased to the weakest since last October.

The Nikkei India *Manufacturing Purchasing Managers' Index® (PMI®)* rose from 51.2 in May to 53.1 in June. This was consistent with the fastest improvement in the health of India's manufacturing economy in 2018 so far.

Manufacturing production rose in June, thereby extending the period of expansion to 11 months. Moreover, the rate of growth was sharp and the most pronounced since last December. Panellists linked greater output to favourable demand conditions. Output growth was reported across all market groups.

In tandem with the expansion in output, new business placed at manufacturers in June rose to the sharpest degree in 2018 so far. There were reports that strong underlying demand supported new client wins.

New orders from overseas rose for the eighth consecutive month. Moreover, the rate of expansion was solid and accelerated to the fastest since February. Anecdotal evidence pointed to stronger demand from key international markets.



Sources: Nikkei, IHS Markit.

Amid stronger demand conditions, firms raised their staffing levels in June. Although modest, job creation accelerated to the strongest in 2018 so far. Jobs growth was evident across consumption, intermediate and investment goods.

Following a fractional decline in May, firms raised their purchasing activity at the end of the quarter. Although modest, the pace of expansion quickened to the fastest since January. Panellists commented on improvements in market demand. As a result, post-production inventories held by manufacturing companies rose further in June, but only fractionally.

Input costs faced by Indian manufacturing companies rose in June, thereby stretching the period of inflation to 33 months. Moreover, the latest rise was the sharpest since July 2014. Panellists reported that steel and fuel were among the key items that increased in price. Subsequently, firms raised their output charges at the fastest pace since February.

Despite strengthening demand conditions, business sentiment was at the weakest level seen since last October. Optimistic projections for output reflected expectations that demand conditions will improve over the next 12 months, according to anecdotal evidence.

Comment:

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

"India's manufacturing economy closed the quarter on a solid footing against a backdrop of robust demand conditions, highlighted by the sharpest gains in output and new orders since last December. Meanwhile, orders from international markets rose at the strongest pace since February.

"On the jobs front, the latest survey data pointed to a healthy labour market, with job creation accelerating to the sharpest since December 2017.

"The RBI recently raised interest rates for the first time in four years to contain inflation and stabilise the rupee. However, input cost inflation quickened to the strongest since July 2014 in June, suggesting that the central bank could remain under pressure to tighten monetary policy.

"Looking ahead, there was a note of caution, as business sentiment eased to the weakest since last October during June. The dip in optimism partly reflected concerns of a potential market slowdown in the year ahead. Indeed, some of the key challenges to the 12-month outlook include tighter domestic monetary policy and persistently high inflation.

-Ends-

Nikkei India Manufacturing PMI® is sponsored by NIKKEI

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/

NIKKEI ASIAN REVIEW **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 if 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.

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.