News Release

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Nikkei India Manufacturing PMI™

Growth of new work and output gathers pace

Key points:

- Production and order books expand at quickest rates in five months
- Solid and accelerated rises in new export work and buying levels
- Inflation rates cool during March

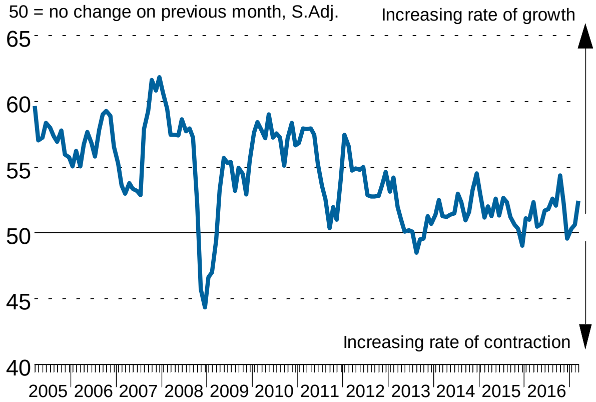
Data collected March 13-27

The health of India's manufacturing sector improved for the third straight month in March, and to the greatest extent since October 2016. Incoming new orders expanded at a stronger pace, thereby leading to quicker increases in production and input purchasing. Moreover, firms hired additional employees to cope with greater workloads. Although both input costs and output charges rose further, inflation rates softened from those seen in February.

Rising to a five-month high of 52.5 in March, from 50.7 in February, the seasonally adjusted Nikkei India Manufacturing *Purchasing Managers' Index*™ (*PMI*™) – a composite indicator designed to provide a single-figure snapshot of the performance of the manufacturing economy – indicated that operating conditions in the sector improved to a greater extent. As for the January-to-March quarter, the PMI average (51.2) was the lowest seen since Q1 FY 2016/17 (51.0).

Amid evidence of strengthening demand conditions, the level of new orders received by manufacturers rose solidly in March and at the quickest pace in five months. Likewise, production expanded at the strongest rate since last October as firms sought to fulfil new and existing projects. The increase in total new work was supported by higher new export orders, which grew at a solid and accelerated pace. New work and output increased across the three monitored sub-sectors, with the upturn led by intermediate goods producers in both cases.

Indian manufacturers purchased greater quantities of inputs for use in the production process during March, with the latest upturn in buying levels the strongest in the current three-month sequence of expansion.



Sources: Nikkei, IHS Markit

This resulted in an overall increase in stocks of purchases. Having fallen in each of the previous three months, pre-production inventories rose modestly in March. Conversely, holdings of finished items dipped sharply due to production volumes failing to match requirements for existing projects.

Business confidence among manufacturers improved in March, with almost one-fifth of panellists expecting output levels at their units to be higher in 12 months' time. Forecasts of a pick-up in demand and the launch of new product lines were the main factors underpinning optimism.

Reversing the decline noted in February, manufacturing jobs rose in March as some firms took on extra staff in line with efforts to expand capacity. Despite accelerating to the fastest in almost four years, the rate of job creation was only slight. Concurrently, outstanding business increased to the weakest extent in 2017 so far.

Largely reflecting higher commodity prices, average input costs increased again. That said, the rate of inflation slowed to the weakest in four months and was below the long-run survey average. Similarly, the rate of charge inflation moderated during March as 96% of manufacturers reportedly kept selling prices unchanged in tandem with attempts to stimulate demand.

Continues…

Comment:

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

"PMI data for March reveal positive developments in the Indian manufacturing sector. Rates of expansion in factory orders and production accelerated again, encouraging some companies to scale up their input buying and take on additional workers.

"The favourable demand environment was supported by relatively muted inflationary pressures. Given that input costs rose at a softer pace, a whopping 96% of goods producers kept their selling prices unchanged over the month.

"Looking ahead, production volumes are likely to rise further as businesses will seek to replenish their stocks. Indeed, we saw a marked drop in inventories of finished items, alongside a stronger degree of confidence towards the year-ahead outlook for output.

"Out of the three broad areas of manufacturing, intermediate goods was March's shining star, as growth of new work, production and input buying in this category surpassed those seen at consumer and capital goods firms."

-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.
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@ihsmarkit.com.

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