

Nikkei India Manufacturing PMI™

Manufacturing production increases at slower rate as new order growth softens

Key points:

- Solid, although slower, increases in both output and new orders
- Stocks of finished goods drop at sharpest pace in survey history
- Lower cost burdens enable manufacturers to reduce output prices

Summary:

Although manufacturing business conditions continued to improve in August, latest data pointed to weaker rates of expansion for both output and new orders. On the price front, input costs decreased for the first time in six months and, subsequently, firms lowered their selling prices. Elsewhere, post-production inventories contracted at the sharpest pace since data were first collected in April 2005.

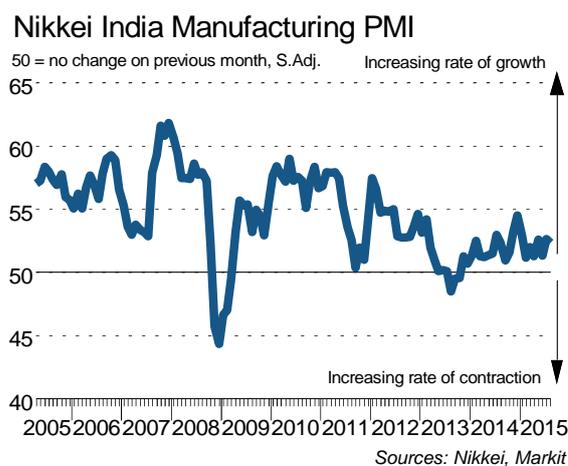
At 52.3 in August, down from July's six-month high of 52.7, the seasonally adjusted Nikkei India Manufacturing *Purchasing Managers' Index™* (PMI)™ – a composite single-figure indicator of manufacturing performance – pointed to a further, although weaker, improvement in the health of the sector.

Underpinning the downward movement in the headline index were softer increases in output, new orders and stocks of purchases, whereas employment levels stagnated over the month. Suppliers' delivery times, the remaining sub-component of the PMI, were broadly unchanged.

Boosted by sustained demand growth, manufacturing production across India rose further in August. Although still solid, the rate of expansion eased since July and was below the long-run series average. New order growth also moderated in August, reflecting weaker improvements in both domestic and foreign demand.

Amid evidence of increased production requirements and efforts to replenish stocks, Indian manufacturers raised their buying levels in August. Purchasing activity grew at a sharp rate that was the quickest in 2015 so far.

Historical Overview:



There were divergences with regards to stock levels in August. Holdings of finished goods contracted at the sharpest pace in the history of the series, with survey respondents commenting on the fact that orders had been fulfilled directly from stocks. Conversely, pre-production inventories rose, led by further increases in buying activity.

Manufacturing employment was unchanged in August, with panellists indicating that hiring had been stymied by relatively weak growth and economic uncertainty. Nonetheless, companies were able to lower their levels of outstanding business in August. Where backlogs of work fell, this was linked to productivity improvements.

Reflecting lower prices paid for metals, plastics, chemicals and petroleum-based products, average costs faced by Indian manufacturers fell in August. Although slight, the rate of reduction was the fastest since March 2009. Average tariffs were, subsequently, reduced for the first time since April.

The consumer goods category outperformed the capital and intermediate goods sub-sectors in terms of growth of output, new orders and buying levels.

Comment:

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

“Growth of Indian manufacturing production waned in August on the back of softer improvements in both domestic and foreign demand. This led firms to keep payroll numbers unchanged during month.

“A sharp increase in buying levels coupled with a record drop in stocks of finished goods, however, indicates that output growth will likely rebound in coming months.

“Meanwhile, falling global commodity prices resulted in an overall reduction in cost burdens. This provided companies with more room for price negotiations and tariffs were lowered on average. As inflation concerns fade and demand growth loses momentum, further accommodative policy should not be discounted.”

-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 three million subscribers. Nikkei's multi-platform media distribution also includes online, broadcast and magazines.

The Nikkei will mark its 140th anniversary next year. Since our start in 1876 as the Chugai Bukka Shimpo (Domestic and Foreign Prices News), we have consistently provided high-quality reporting on economic and other news 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 three million. Adding further depth to our offerings are our premium content and strong digital technology, all underpinned by our excellent people. The number of paying subscribers to the Nikkei Online Edition, which was launched in 2010, has surpassed 400,000. Our fee-based online services have one of the largest readerships in the world among newspaper publishers. Five years after its creation, the online edition is set to evolve 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 nothing short of making Nikkei the leading media voice in Asia.

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

NIKKEI ASIAN REVIEW <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.



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.



VIEWPOINTS:
Bringing views of leading minds on Asia from around the world, we provide a forum on Asia, for Asia watchers everywhere.



ASEAN 100 / INDIA 40:
Gives readers an in-depth look into the 140 most powerful and influential companies in the region.



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

For further information, please contact:

Markit (About PMI and its comment)

Pollyanna De Lima, Economist

Telephone 44-1491-461-075

Email pollyanna.delima@markit.com

Joanna Vickers, Corporate Communications

Telephone 44-207-260-2234

E-mail joanna.vickers@markit.com

Nikkei inc.

Public Relations Office

Telephone 81-3-3270-0251

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.

About Markit

Markit is a leading global diversified provider of financial information services. We provide products that enhance transparency, reduce risk and improve operational efficiency. Our customers include banks, hedge funds, asset managers, central banks, regulators, auditors, fund administrators and insurance companies. Founded in 2003, we employ approximately 4,000 people in 11 countries. Markit shares are listed on Nasdaq under the symbol MRKT. For more information, please see www.markit.com.

About PMI

Purchasing Managers' Index[™] (*PMI*[™]) surveys are now available for over 30 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/economics.

The intellectual property rights to the Nikkei India Manufacturing *PMI*[™] provided herein are owned by or licensed to Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. 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 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. Markit is a registered trade mark of Markit Group Limited.