News Release

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Nikkei India Manufacturing PMI®

Growth of Indian manufacturing sector picks up

Key points:

- Headline PMI improves to 52.2 during September (August: 51.7)
- Stronger gains in both output and new orders
- Price pressures intensify

Data collected September 12-24

India's manufacturing economy recorded an improvement in growth during September amid firmer gains in new orders, output and employment. Sales rose from both domestic and foreign clients, whilst manufacturers raised their buying activity and bolstered stocks of purchases in anticipation of further growth. On the price front, input costs rose at a stronger rate amid reports of higher prices for fuel and steel. Charges were subsequently increased at a slightly firmer pace. Manufacturers remain confident that output will increase over the coming year.

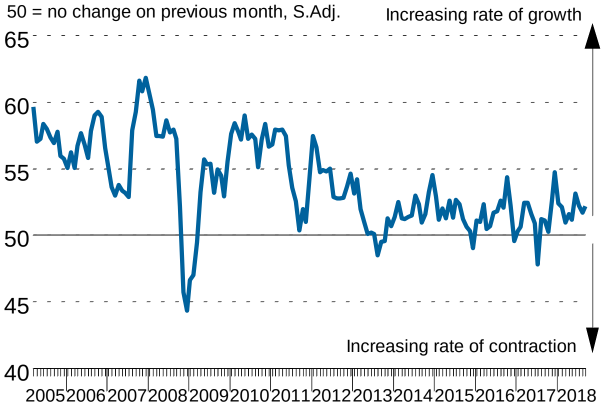
The Nikkei India Manufacturing *Purchasing Managers' Index® (PMI®)* strengthened slightly in September to reach a level of 52.2 (up from 51.7 in August). Solid growth of the manufacturing sector during the latest survey period extended the current run of expansion to 14 months.

Underpinning the overall expansion was a firmer increase in levels of new work. Solid growth was linked to gains in both domestic and foreign demand. Indeed, export sales strengthened, with the net gain the best recorded since the start of the year. High product quality was noted as a factor supporting total new order book growth.

With new work increasing, manufacturing production was subsequently raised for a fourteenth successive month. Intermediate goods producers signalled a particularly strong increase in production, although growth was registered across all market groups.

Rising new work and increased production helped to drive growth of buying activity during September. In turn, this helped manufacturers to build inventories of purchases. Although modest, growth in pre-production goods was the sharpest recorded by the survey since May 2017.

Nikkei India Manufacturing PMI



Sources: Nikkei, IHS Markit.

Despite higher levels of new business, manufacturers were just about able to keep on top of their workloads in September. Backlogs of work were down slightly, the first such decline since March, whilst there was a further increase in manpower: staffing levels rose for a sixth successive month and at the fastest rate since June.

Meanwhile, price pressures intensified, with latest data showing that input costs rose to the greatest degree since June. There were reports that a strong US dollar and supply shortages had exacerbated high global prices for steel and fuel. Manufacturers passed on higher costs wherever possible via an increase in their own charges. Latest data indicated a modest, but nonetheless stronger, rise in output prices compared to August.

Finally, manufacturers are confident that output will be higher in 12 months' time. Planned new product launches and developments, plus firmer market demand, all contributed to positive sentiment. That said, confidence softened slightly in September and was at a three-month low.

Comment:

Commenting on the Indian Manufacturing PMI survey data, **Paul Smith**, Economics Director at IHS Markit and author of the report, said**:**

"Growth of India's manufacturing sector picked up during the latest survey period, reflective of strengthening demand especially from foreign clients, which helped to drive export growth up to its highest level since the turn of the year.

"However, cost pressures reignited in September, exacerbated by a stronger US dollar which continues to raise the relative price faced by Indian manufacturers for goods such as steel and fuel. Output charges increased subsequently, albeit at a rate that remains well below the equivalent measure for input prices.

"Rising prices continued to weigh on sentiment, with confidence dropping a little to reach a three-month low. Nonetheless, on balance, firms remain confident that output will continue to rise, buoyed by recent new business wins and expectations this will continue over the next 12 months."

-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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