Nikkei India Manufacturing PMI™

Sustained increase in new orders underpin output growth

Key points:

- Factory orders rise again, but at slower rate
- Fifth consecutive expansion in production
- Growth of input buying accelerates

Data collected May 12-24

The Indian manufacturing sector stayed in expansion mode in May as a further upturn in new business supported output growth. That said, rates of increase eased in both cases. Spending patterns varied, with employment down but quantities of purchases up from April. Meanwhile, input costs rose at the slowest rate since last September, whereas charge inflation accelerated. With regards to future performance, goods producers were at their most optimistic in six months.

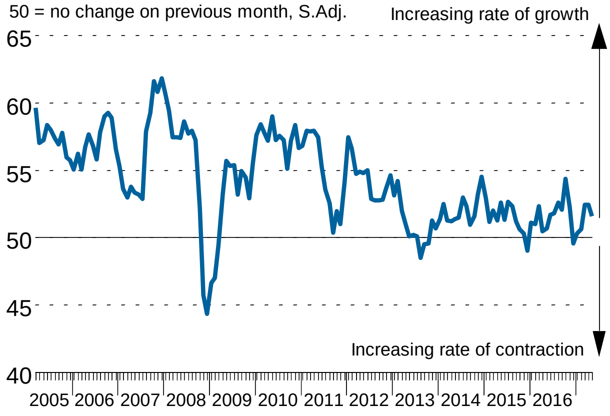
Remaining above the no-change mark of 50.0 in May, the headline **Nikkei India Manufacturing *Purchasing Managers' Index*™ (*PMI*™)** signalled a further improvement in operating conditions. That said, the PMI was down from 52.5 in April to a three-month low of 51.6.

May data pointed to softer expansions in both new orders and production. Incoming new work rose at the weakest pace since February, with slowdowns evident in the consumer and intermediate goods categories. Capital goods producers, meanwhile, recorded a contraction in order books. Output growth across the manufacturing sector as a whole was at a three-month low.

Businesses further increased their purchasing activity during May. Moreover the upturn in buying levels was more pronounced than in April. Subsequently, stocks of purchases rose, with the pace of accumulation the quickest in the current three-month sequence of growth.

On the other hand, holdings of finished goods decreased in May as companies sought to fulfil orders from stocks. The rate of depletion was sharp, and the most pronounced since August 2015. Quicker reductions in post-production inventories were seen in each of the three monitored market groups.

Nikkei India Manufacturing PMI



Sources: Nikkei, IHS Markit

International demand for Indian-manufactured goods deteriorated in May, as signalled by a decline in new export orders. The contraction was only slight, but ended a three-month sequence of growth.

Amid reports of the non-replacement of voluntary leavers and shortages of suitable labour, manufacturing jobs in India decreased in May. The fall in staff numbers was centred on the intermediate goods category, with marginal growth noted elsewhere.

Concurrently, outstanding business volumes rose again, marking a one-year sequence of accumulation. Despite accelerating since April, the pace of expansion in backlogs was modest.

Cost burdens facing Indian goods producers continued to rise in May, with chemicals, metals, paper and plastics all reported to be up in price. The rate of inflation softened to the slowest in eight months, however, and was below the long-run series' average. In contrast, factory gate charges increased at a slightly quicker pace than in April.

Business confidence improved in May, with firms expecting new product launches, machinery acquisitions and marketing campaigns to support output growth in the year ahead. Moreover, the degree of optimism climbed to a six-month high.

Comment:

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

"The upturn in the Indian manufacturing sector took a step back in May, with softer demand causing slower expansions in output and the amount of new work received by firms. Moreover, there was a renewed decline in new export orders.

"Echoing a more positive tone, the PMI dataset highlighted a stronger increase in businesses' input purchasing, while optimism reached a six-month peak. Additionally, cost inflationary pressures cooled.

"With inflation under control and manufacturing growth below par, we may see the RBI changing neutral monetary policy stance to accommodative in coming months in order to support the economy."

-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 marks its 140th anniversary this year. 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 three 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 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 to make 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.

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)
Pollyanna De Lima, Economist
Telephone 44 1491 461 075
Email pollyanna.delima@ihsmarkit.com

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

Bernard Aw, 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 expertise to forge 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 key business and government customers, including 85 percent of the Fortune Global 500 and the world's leading financial institutions. Headquartered in London, IHS Markit is committed to sustainable, profitable growth.

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/product/pmi.