

Nikkei India Manufacturing PMI™

Upturn in new work accelerates again in April

Key points:

- New orders rise at solid and accelerated pace
- Output expansion maintained, but growth softens
- Slight increases in employment and buying levels

Data collected April 11-24

Manufacturing conditions in India improved for the fourth straight month in April. The upturn was signalled by the headline **Nikkei India Manufacturing Purchasing Managers' Index™ (PMI™)** – a diffusion index designed to measure the performance of the sector – matching March's reading of 52.5. Slower increases in output, stocks of purchases and employment were offset by stronger growth of new orders and lengthening delivery times.

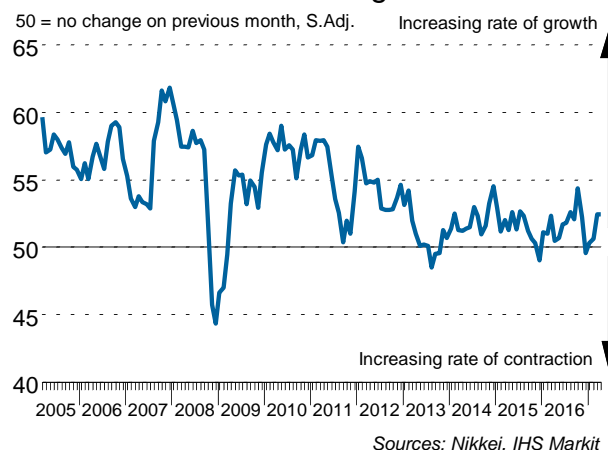
Survey participants attributed new business wins to improving demand conditions and greater advertising. Overall, the upturn in order books was the most pronounced since last October. New export orders rose for the third month in a row, but the rate of expansion eased from March and was slight overall. Concurrently, output grew solidly, though growth softened slightly since the preceding survey period.

Manufacturing jobs rose for the second consecutive month in April, which panellists related to a combination of greater production needs and expectations of a pick up in demand. Nonetheless, the pace of employment growth remained slight overall.

Goods producers signalled a further accumulation of outstanding business, the eleventh in as many months. That said, the rate of expansion eased to the weakest in this sequence and was only slight. Where backlogs increased, survey members reported pending client payments.

Stocks of finished goods dropped for the twenty-second month running during April. However, the rate of depletion slowed to the weakest in the year-to-date. According to panel members, orders were sometimes met from stocks.

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The amount of raw materials and semi-finished goods purchased by Indian manufacturers rose in April, in line with the trend recorded throughout the past four months. The rate of expansion was, however, modest and weakened from that seen in March. Stocks of purchases continued to rise, albeit growth eased from the preceding survey period.

Suppliers' delivery times lengthened in April, amid reports of lorry strikes. The deterioration in vendor performance was only marginal, but reversed the improvement recorded in March.

Purchasing costs increased for the nineteenth consecutive month in April, with panellists reporting higher prices paid for metals, chemicals and plastics. The rate of cost inflation gathered pace since March and was above the average recorded over the current sequence of rises.

Less than 5% of manufacturers raised their output prices in April, while almost 93% signalled no change. Where selling prices were raised, there were reports of the passing on of higher cost burdens to clients. Firms that reduced charges mentioned attempts to win new customers.

Finally, goods producers were at their most optimistic since last November, with capacity expansion plans, new product developments, greater advertising and favourable market conditions expected to underpin output growth in the year ahead.

Comment:

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

“Buoyant domestic demand coupled with sustained growth of new orders from abroad boosted the upturn in total new business received by Indian manufacturers in April. Having recovered at the beginning of the year from December’s demonetisation-related contraction, growth of order books has gathered pace in each month since.

“Job seekers in the sector were presented with further employment opportunities, while firms also continued to engage in purchasing activity and scaled up production again.

“Scratching beneath the surface we can see that consumers were the key drivers of growth as consumer goods producers registered by far the steepest expansions in both production and new orders.

“The outlook appears encouraging too, with output expected to remain on an upward trajectory amid reports of planned capacity expansions, new product launches, aggressive marketing campaigns and an improving economic scenario.”

-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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