

Nikkei India Manufacturing PMI[®]

Operating conditions improve further in April

Key points:

- Faster rises in output and new orders
- Renewed rise in employment
- Input cost inflation eases to the weakest since last September

Data collected April 12-24

Manufacturing conditions improved for the ninth consecutive month in April, supported by faster expansions in output and new orders. Greater production requirements stimulated job creation and encouraged companies to engage in input buying. On the price front, inflationary pressures continued to ease in April, with the softest increases for input costs and output charges reported since September 2017 and July 2017 respectively.

The Nikkei India Manufacturing Purchasing Managers' Index[®] (PMI[®]) rose from 51.0 to 51.6 in April. This was indicative of a faster improvement in the health of India's manufacturing economy than in the prior month, but pointed to a modest upturn that was weaker than the series trend.

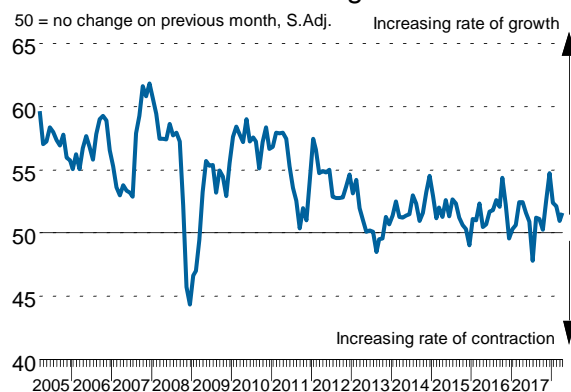
A key factor contributing to the upward movement in the headline PMI index was a solid rise in output. Output growth was solid and picked-up from March's five-month low, but remained slightly below the average for the current nine-month period of expansion. According to panellists, favourable demand conditions supported the latest upturn. Greater production in consumption and intermediate groups outweighed the decline in investment goods.

New business rose for the sixth consecutive month. Although modest, the rate of expansion accelerated since March. Panellists reported that stronger market demand led to greater client wins. As was the case with output, growth was registered in consumption and intermediate goods.

New orders from overseas rose for the sixth successive month in April, albeit only marginally. Moreover, the rate of expansion moderated to the weakest since November 2017.

Following a marginal decline in March, outstanding work rose during April. Delayed payments from

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Sources: Nikkei, IHS Markit.

clients partly led to the latest increase in backlogs, according to anecdotal evidence.

Improvements in demand conditions and rising production resulted in job creation during April. That said, growth was marginal.

Reflecting sustained growth in production and new orders, Indian manufacturers were prompted to raise their purchasing activity for the sixth consecutive month in April. Despite being modest, the rate of increase accelerated to the strongest since January.

Meanwhile, divergences were recorded for both pre- and post-production stocks. The former rose at the fastest pace in 2018 so far, while inventories of finished goods were depleted at the joint-fastest rate in the survey history.

Indian manufacturers faced higher input costs during April, thereby extending the current period of inflation to just over two-and-a-half years. Although solid, input cost inflation moderated for the second month in a row to the weakest since last September. Meanwhile, firms raised their selling prices at the weakest rate in the current nine-month sequence of inflation.

Finally, business sentiment was at the strongest level seen since the implementation of the Goods and Services Tax in July 2017. Optimism reflected expectations that new business and demand conditions will improve over the coming 12 months, according to panellists.

Comment:

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

“The Indian manufacturing economy started the quarter on a slightly stronger footing as growth picked-up from March’s five-month low, buoyed by stronger demand conditions.

“Putting the PMI data under a magnifying glass, consumer goods was again the bright spot, with output growth being the fastest among all the three market groups. Meanwhile, investment goods was the weakest performing category as both production and new orders declined during April.

“Encouragingly, PMI data highlighted inflationary pressures moderated for the second month in a row, with input cost and output charge inflation at the weakest since September 2017 and July 2017 respectively.

“Business sentiment was at the strongest level seen since the implementation of the Goods and Services Tax in July 2017, driven by expectations that underlying demand will improve further over the next 12 months, and subsequently firms reported a renewed increase in job recruitment.”

-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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