News Release

Embargoed until 1030 IST (0500 UTC) 2 January 2023

# S&P Global India Manufacturing PMI®

## December sees stronger increases in Indian factory orders and production

### Key findings

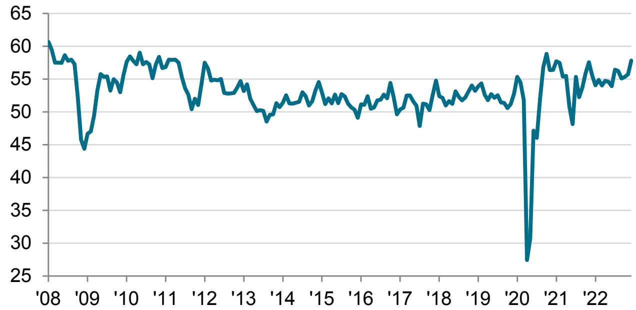
Output growth reaches 13-month high

Fastest rise in new orders since February 2021...

...supports job creation and boosts input purchasing

India Manufacturing PMI

sa, >50 = growth since previous month




Source: S&P Global.

Data were collected 06-19 December 2022.

The S&P Global PMI® data highlighted a very positive ending to 2022 at Indian manufacturers, as business conditions improved to the greatest extent in over two years. Panellists continued to obtain healthy inflows of new business, and stepped-up production to the greatest extent seen since November 2021. Hiring activity was stretched to December, while more inputs were acquired as firms sought to supplement production and add to their inventories. Input cost inflation was contained, but there was a solid and quicker increase in selling prices.

At 57.8 in December, up from 55.7 in November, the seasonally adjusted S&P Global India Manufacturing Purchasing Managers' Index® (PMI®) pointed to a robust improvement in the health of the sector that was the best seen since October 2020. The PMI average for the third fiscal quarter (56.3) was the highest recorded since one year ago.

Demand resilience boosted sales growth in December, with the rate of increase picking up to the quickest since February 2021. In some instances, panellists indicated that advertising, product diversification and favourable economic conditions supported sales.

International demand for Indian goods also improved, but did so to a lesser extent than in November. Overall, new orders from abroad rose at the slowest pace in five months as several companies reportedly struggled to secure new work from key export markets.

With overall demand remaining conducive of growth, manufacturers scaled up production at the end of 2022. The upturn in output was sharp and the best seen since November 2021.

December data pointed to a further increase in buying levels among goods producers. Moreover, the rate of expansion was historically sharp and the strongest since May 2022. Survey participants linked the upturn to demand strength.

### Comment

Pollyanna De Lima, Economics Associate Director at S&P Global Market Intelligence, said:

*"Following a promising start to 2022, the Indian manufacturing industry maintained a strong performance as time progressed, wrapping the year with the best expansion in production seen since November 2021.*

*"Demand strength took centre stage among the reasons provided by firms for improvements in many measures. Additional materials were purchased and extra workers hired as companies sought to supplement production and maintain healthy levels of inventories. Input stocks rose at a near-record pace.*

*"Less challenging supply-chain conditions also supported the upturn. Delivery times were reportedly stable, which enabled firms to secure critical materials and boost their input stocks.*

*"While some may question the resilience of the Indian manufacturing industry in 2023 amid a deteriorating outlook for the global economy, manufacturers were strongly confident in their ability to lift production from present levels."*

PMI® by S&P Global

Suppliers to the Indian manufacturing sector were comfortably able to accommodate for the uptick in input demand, with average lead times unchanged from November. Manufacturers themselves faced mild pressures on their operating capacities as signalled by a further, albeit slower, increase in outstanding business.

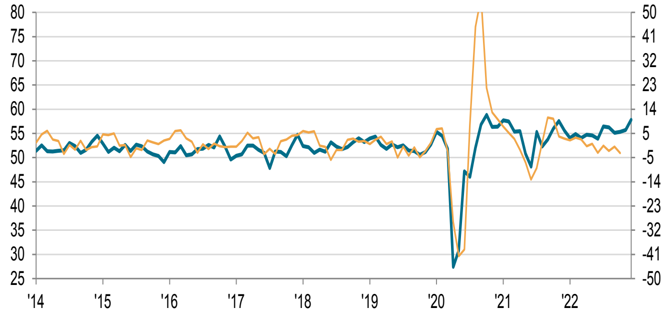
To address backlogged work, Indian goods producers hired additional staff at the end of the year. The latest increase in employment was the tenth in consecutive months but the slowest since September.

Inventory trends continued to diverge in December, with a rise in input stocks contrasting with another depletion in holdings of finished products. The accumulation of the former was attributed to ongoing expansions in purchasing activity and considerably less challenging supply-chain conditions. The fall in post-production stocks was linked to the fulfilment of sales from warehouses.

Cost pressures remained relatively muted in December, with the overall rate of inflation little-changed from November and the second-slowest since September 2020. Underlying data indicated that price reductions for some raw materials partly offset increases elsewhere.

On the other hand, there was a solid and quicker upturn in factory gate charges during December. Moreover, for the first time in close to two-and-a-half years, the rate of inflation for selling prices outpaced that seen for input costs.

When assessing the year-ahead outlook for production, companies were optimistic. Advertising and demand buoyancy were cited as the key opportunities to growth prospects.



Sources: S&P Global, CSO.

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**Survey methodology**

The S&P Global India Manufacturing PMI® is compiled by S&P Global from responses to questionnaires sent to purchasing managers in a panel of around 400 manufacturers. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP. Data collection began in March 2005.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Purchasing Managers' Index® (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.



**About PMI**

Purchasing Managers' Index® (PMI®) surveys are now available for over 40 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. ihsmarkit.com/products/pmi.html.



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