News Release

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S&P Global India Manufacturing PMI®

Manufacturing sector recovery extends to June, but price pressures dampen growth

Key findings

Increases in sales and production stretch to one year...

...but growth rates ease to nine-month lows

Inflationary pressures curb the upturn, despite receding in June

The economic recovery of the Indian manufacturing sector continued in June, aided by robust domestic and international client demand. However, growth of total sales and production eased amid intense price pressures. Although the rate of input cost inflation remained historically high, the latest increase was the slowest in three months, a trend that was likewise seen for output charges. Inflation concerns continued to dampen business confidence, with sentiment slipping to a 27-month low. Elsewhere, input delivery times shortened for the first time since the onset of COVID-19.

Posting 53.9 in June, the seasonally adjusted S&P Global India Manufacturing Purchasing Managers' Index® (PMI®) signalled a twelfth consecutive monthly improvement in the health of the sector. However, falling from 54.6 in May, the latest reading showed the weakest pace of growth since last September.

Softer increases in production, factory orders, stocks of purchases and employment all dragged down the PMI in June, alongside an improvement in supplier performance which is inverted before entering the calculation.

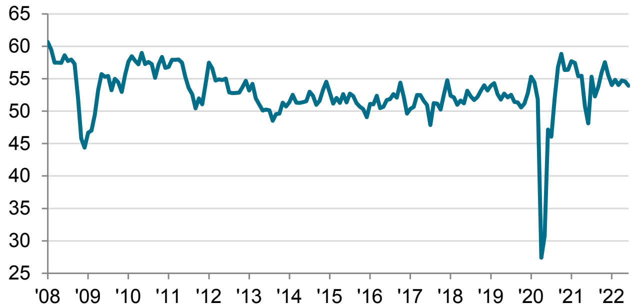
Factory orders and production rose for the twelfth straight month in June, but in both cases the rates of expansion eased to nine-month lows. Increases were commonly attributed to stronger client demand, although some survey participants indicated that growth was restricted by acute inflationary pressures.

June data indicated that rates of purchase price and output charge inflation retreated to three-month lows, but remained above their respective long-run averages. Monitored firms reported increases for a wide range of inputs — including chemicals, electronics, energy, metals and textiles — which they partly passed on to clients in the form of higher selling prices.

Although the outlook for the Indian manufacturing industry remained positive midway through 2022, sentiment slipped

India Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global.

Data were collected 13-24 June 2022.

Comment

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

"The Indian manufacturing industry ended the first quarter of fiscal year 2022/23 on a solid footing, displaying encouraging resilience on the face of acute price pressures, rising interest rates, rupee depreciation and a challenging geopolitical landscape.

"Yet, there was a broad-based slowdown in growth across a number of measures such as factory orders, production, exports, input buying and employment as clients and businesses restricted spending amid elevated inflation.

"There was positive news regarding supply chains, with the latest results showing the first shortening of input lead times since the onset of COVID-19. This seemed to have curbed the upward pressure on input costs, with purchase prices and output charges increasing at sharp but slower rates during June. Companies nevertheless remained very concerned about inflation, a key factor that dragged down business confidence to a 27-month low."

to a 27-month low. Fewer than 4% of panellists forecast output growth in the year ahead, while the vast majority (95%) expect no change from present levels. Inflation was the main concern among goods producers.

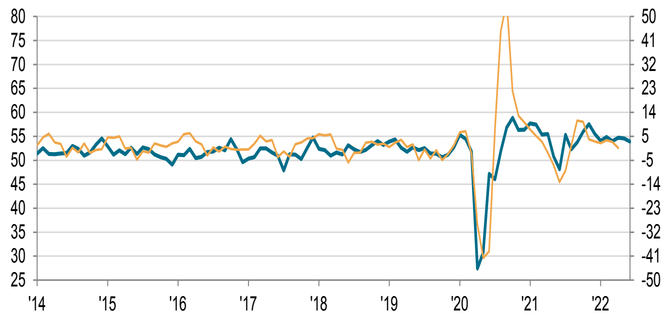
Average lead times on inputs shortened for the first time since February 2021, albeit only fractionally. Concurrently, firms continued with their efforts to safeguard against input shortages and purchased additional materials in June. Buying levels rose at marked rate, but one that was the slowest in three months.

Ongoing growth of input buying, coupled with an improvement in supply chains, underpinned another increase in pre-production inventories among Indian manufacturers. The pace of accumulation was sharp and above trend, despite slowing to a three-month low.

Conversely, stocks of finished goods declined further amid rising sales and the delivery of products to clients. The latest fall in post-production inventories was mild, but took the current stretch of depletion to almost five years.

Elsewhere, new export orders rose for the third month running in June. The increase was strong by historical standards, despite easing from May's 11-year high.

Sustained growth of production and sales meant that hiring efforts were extended to June. Employment rose for the fourth successive month, albeit at a slight pace that was broadly in line with those seen over this period. Job creation restricted backlog growth, which increased at a marginal pace that was the slowest in three months.



Sources: S&P Global, India Federal Reserve.

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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.

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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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