

Nikkei India Manufacturing PMI®

Softer upturn in sales drags output growth to six-month low

Key points:

- Factory orders and production expand at slowest pace since last September
- Job creation eases to eight-month low
- PMI down from 54.3 in February to 52.6 in March

Data collected March 12-25

Although operating conditions in the Indian manufacturing industry continued to improve in March, there was a widespread slowdown in growth. Softer increases were registered for new orders, production, input buying and employment. The deceleration was accompanied by subdued inflationary pressures, with rates of increase in input costs and output charges below their respective long-run averages. Concurrently, business sentiment strengthened to a seven-month high.

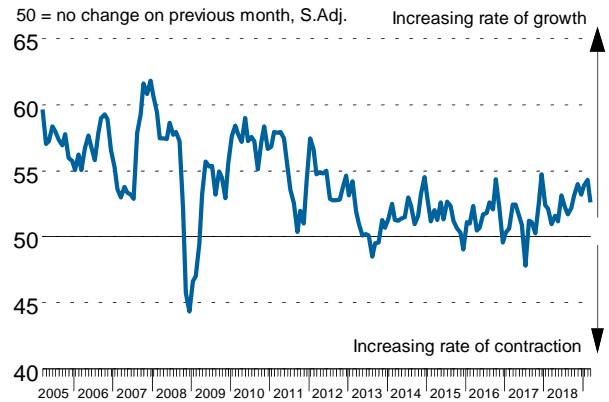
Registering 52.6 in March, the **Nikkei India Manufacturing Purchasing Managers' Index® (PMI®)** continued to signal improving operating conditions in the sector. However, falling from 54.3 in February to a six-month low, the latest figure highlighted a loss of growth momentum. Consumer goods was the brightest spot in March, followed by the intermediate and then investment goods categories.

Despite being solid, the increase in new orders was the slowest in six months. On the one hand, firms indicated that strong underlying demand, successful advertising and the receipt of bulk orders underpinned sales growth. On the other hand, competitive conditions and the upcoming elections reportedly curbed the upturn.

New orders from external markets rose further, although growth softened from February. Where export sales increased, companies mentioned that marketing efforts bore fruit.

Improved technology, favourable market conditions and ongoing sales growth led to another rise in manufacturing production. That said, the rate of expansion eased to a six-month low due to competitive pressures, relatively subdued sales and shortages of raw materials.

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Sources: Nikkei, IHS Markit.

March data pointed to a further rise in manufacturing employment, which panellists attributed to new order growth. The increase was the weakest in eight months, however, as 92% of companies left payrolls unchanged amid adequate manpower to handle existing workloads.

Buying levels grew in March at the slowest pace in the current ten-month sequence of expansion. Still, holdings of raw materials and semi-finished goods rose further. Conversely, post-production inventories declined for the twentieth month in a row. According to manufacturers, some orders had been fulfilled from stocks.

There was evidence of mild capacity pressures at manufacturers as outstanding business increased again. Nonetheless, the pace of backlog accumulation was marginal and the joint-weakest in the current five-month sequence of expansion.

On the price front, softer increases in input costs and output charges were registered. In both cases, rates of inflation were below their respective long-run averages.

Business sentiment strengthened to a seven-month high during March. Companies predicted that marketing initiatives, capacity expansion plans and favourable public policies after the elections would support production growth over the course of the coming 12 months.

Continues...

Comment:

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

“Manufacturing sector expansion in India took a step back in March, with metrics for factory orders, production, exports, input buying and employment all moving lower. Still, growth was sustained on all fronts.

“Although global headwinds and a general slowdown in trade present some concerns for the future health of Indian manufacturers’ order books, so far companies have been able to weather the storm and secure healthy inflows of new work from abroad.

“A guarded attitude towards appointing new staff dragged job creation to an eight-month low, while buying activity growth moderated amid sufficient input stocks at some companies. On the other hand, the softer rise in production coupled with sustained sales expansion meant that firms utilised their inventories of finished goods to fulfil order obligations.

“As such, we expect stock-building efforts in the coming months and robust business sentiment to support output growth and further lift payroll numbers. Expansionary public policies such as fiscal stimulus and interest rate reduction should also assist the manufacturing sector in gaining some traction in the near term.”

-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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