

# News Release

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## S&P Global India Manufacturing PMI®

### PMI hits 31-month high, backed by record expansion in input stocks

#### Key findings

May sees substantial improvement in operating conditions

Stronger increase in new orders boosts input buying growth

Stocks of purchases rise at unprecedented pace

India's manufacturing PMI® showcased encouraging developments in May, painting a notably positive picture for the sector. Demand conditions demonstrated remarkable strength, with factory orders rising at the fastest pace since January 2021. This surge in sales paved the way for stronger increases in production, employment and quantities of purchases. With supply chain-conditions improving further, companies noted a record accumulation in input inventories. Meanwhile, cost pressures remained historically mild, but demand strength facilitated a solid and quicker increase in output charges.

The seasonally adjusted S&P Global India Manufacturing Purchasing Managers' Index® (PMI®) rose from 57.2 in April to 58.7 in May, indicating the strongest improvement in the health of the sector since October 2020.

Out of the five PMI sub-components, stocks of purchases showed notable vigour, increasing at an unprecedented pace in May. Monitored companies indicated that better supply-chain conditions and sustained increases in input purchasing boosted inventory growth.

May data indicated a sharp and accelerated increase in quantities of purchases, with the rate of expansion quickening to the strongest in over 12 years. According to survey members, ongoing increases in new business and efforts to replenish stocks underpinned growth of buying levels.

Not only did factory orders increase for the twenty-third month running in May, but also to the greatest extent since January 2021. Firms generally associated the upturn with advertising, demand strength and a favourable economic climate.

Exports gave impetus to total new orders in May. Companies registered the quickest expansion in international sales for six months.

India Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global.

Data were collected 12-24 May 2023.

#### Comment

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

*"The PMI's spotlight on soaring sales showcases robust demand for Indian-made products both domestically and internationally. While the upturn in domestic orders strengthens the foundations of the economy, rising external business foster international partnerships and boost India's position in the global market. Combined, they also generated more employment opportunities in May.*

*"The record increase in input stocks shows a better preparedness of manufacturers in managing supply chains. This should allow firms to mitigate potential disruptions, maintain a steady flow of production and demonstrate the industry's resilience in the face of challenges.*

*"While improvements in supply chains and generally subdued global demand for inputs helped curb input price inflation in May, heightened demand and previously absorbed cost burdens translated into a stronger upward revision to selling charges. Demand-driven inflation is not inherently negative, but could erode purchasing power, create challenges for the economy and open the door for more interest rate hikes."*

PMI®

by S&P Global

Indian manufacturers scaled up production volumes as a result of growing new orders and favourable market conditions. The latest increase in output was sharp and the fastest in 28 months.

Rising inflows of new business exerted pressure on the capacity of goods producers, as seen by another uptick in outstanding business. The rate of backlog accumulation was slight, but the quickest in seven months.

In turn, capacity pressures supported job creation midway through the first fiscal quarter. Moreover, the rate of employment growth improved to a six-month high.

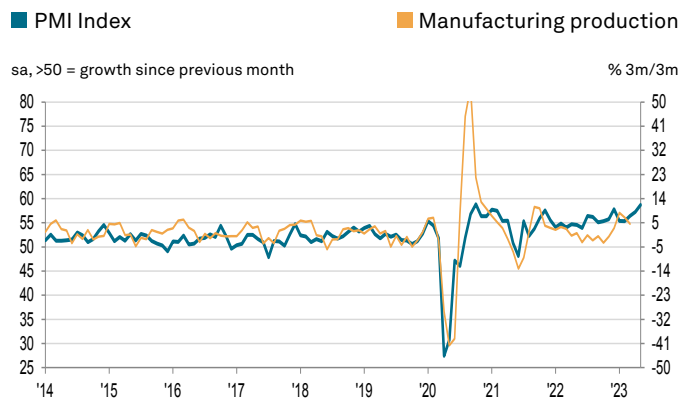
As has been the case since March, goods producers signalled an improvement in vendor performance during May. Average lead times on inputs shortened to the greatest extent in eight-and-a-half years.

Smoother logistics aided a softer increase in input prices during May. Average cost burdens rose at a moderate rate that was well below its long-run average.

In contrast to the trend for input costs, selling prices rose at a solid and quicker rate in May. The rate of inflation accelerated to a one-year high. According to panellists, sustained increases in input costs and a supportive demand environment led them to lift their charges.

Elsewhere, post-production inventories fell further, amid reports of orders being fulfilled from stocks. The pace of depletion was moderate and equal to April.

Business confidence towards growth prospects improved to a five-month high in May. Publicity and demand resilience were among the reasons cited for upbeat forecasts.



## Contact

Pollyanna De Lima  
Economics Associate Director  
S&P Global Market Intelligence  
T: +44-1491-461-075  
[pollyanna.delima@spglobal.com](mailto:pollyanna.delima@spglobal.com)

SungHa Park  
Corporate Communications  
S&P Global Market Intelligence  
T: +82 2 6001 3128  
[sungha.park@spglobal.com](mailto:sungha.park@spglobal.com)

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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](mailto:economics@ihsmarkit.com).

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