

News Release

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S&P Global India Manufacturing PMI®

Output prices increase at fastest rate since October 2013

Key findings

Acute cost pressures underpin further increase in charges...

...but factory orders continue to rise strongly...

...supporting production growth and job creation

Manufacturing sector growth in India steadied in May, with new orders and production increasing at similar rates to those registered in April. Companies were able to secure new work despite lifting selling prices at the fastest rate in over eight-and-a-half years as additional cost burdens continued to be transferred to clients. Total sales were boosted by a substantial upturn in international orders, the strongest in over 11 years.

At 54.6 in May, little-changed from 54.7 in April, the seasonally adjusted S&P Global India Manufacturing Purchasing Managers' Index® (PMI®) pointed to a sustained recovery across the sector. The above-50.0 reading was the eleventh in as many months and consistent with a solid improvement in operating conditions.

Demand showed signs of resilience in May, improving further in spite of another uptick in selling prices. Companies reported a marked increase in total new orders that was broadly similar to April.

May data also highlighted a notable uptick in growth of new export orders. The rate of expansion was sharp and the fastest since April 2011.

Amid reports of new business gains, sustained improvements in demand and looser COVID-19 restrictions, manufacturers continued to scale up production in May. The rate of growth was marked, above trend and broadly in line with that recorded in April.

Indian manufacturers signalled a further increase in output prices halfway through the first quarter of fiscal year 2022-23. Having accelerated to the fastest in over eight-and-a-half years, the rate of inflation was marked. According to panellists, additional cost burdens were shared with clients.

Input costs rose for the twenty-second successive month in May, with companies reporting higher prices for electronic components, energy, freight, foodstuff, metals and textiles.

India Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global.

Data were collected 12-25 May 2022.

Comment

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

"India's manufacturing sector sustained strong growth momentum in May. Thanks in part to the sharpest rise in international sales for eleven years, total new orders expanded further. In response to demand resilience, companies continued with their efforts to rebuild stocks and hired extra workers accordingly."

"While firms appear to be focusing on the now, the survey's gauge of business optimism shows a sense of unease among manufacturers. The overall level of sentiment was the second-lowest seen for two years, with panellists generally expecting growth prospects to be harmed by acute price pressures."

"There was little-movement in the rate of input price inflation during May, which remains historically high, but output charge inflation surged to its highest in over eight-and-a-half years as companies continued to transfer additional cost burdens to their clients."

PMI®

by S&P Global

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Although softer than in April, the rate of inflation remained historically elevated.

Goods producers stepped up input purchasing in May, thereby stretching the current sequence of expansion to 11 months. Moreover, the rate of growth was sharp and the quickest since last November. Where an increase was signalled, survey participants cited ongoing sales growth and rising production requirements.

Although some firms indicated a further lengthening of supplier delivery times in May, the vast majority of companies reported no change in vendor performance from April. As a result, there was only a marginal increase in lead times.

Indeed, firms signalled an upturn in pre-production inventories. The accumulation was the eleventh in as many months and marked overall.

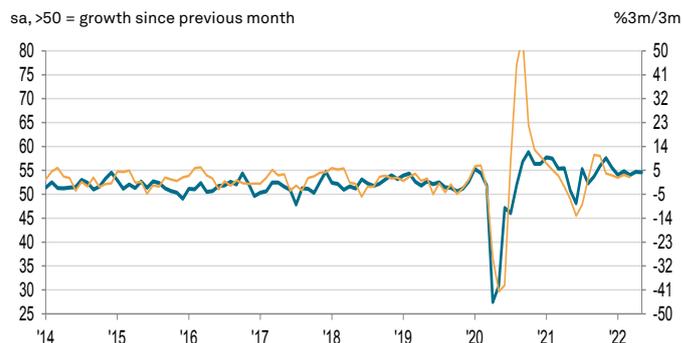
In contrast, holdings of finished products decreased further in May. The latest fall was only marginal, however, and the slowest in the current 58-month sequence of depletion.

Manufacturing sector jobs rose further in May, owing to ongoing improvements in sales. Although only slight, the rate of employment growth picked up to the strongest since January 2020.

Capacity pressures among goods producers remained only mild in May, as signalled by a marginal increase in outstanding business volumes. The rate of accumulation was broadly similar to those seen in the current five-month period of expansion.

Business sentiment was dampened by inflation concerns in May, with the overall level of confidence the second-lowest in just over two years. While around 9% of panellists forecast output growth over the coming 12 months, 88% foresee no change from present levels.

■ PMI Output Index ■ Manufacturing production



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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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