News Release

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S&P Global India Manufacturing PMI®

India manufacturing PMI at eight-month high as trends for output and new orders strengthen

Key findings

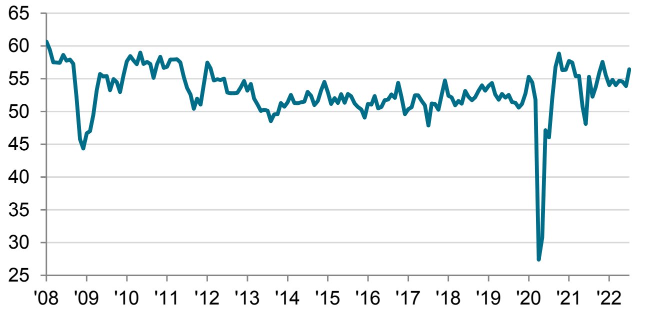
Headline PMI rises to 56.4 in July

Sales and production grow at fastest rates since last November

Input costs inflation softens to 11-month low

India Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global.

Data were collected 12-25 July 2022.

Indian manufacturers made a positive start to the second fiscal quarter, with marked gains in growth of new business and output. While companies stepped up input purchasing, job creation remained marginal amid an uncertain outlook and a general lack of pressure on operating capacities. There was also good news on the price front, as rates of both input cost and output charge inflation subsided.

Rising from 53.9 in June, to 56.4 in July, the seasonally adjusted S&P Global India Manufacturing Purchasing Managers' Index® (PMI®) highlighted the strongest improvement in the health of the sector for eight months. Moreover, growth upgrades were seen in each of the three monitored market groups.

Indian manufacturing production rose at a sharp pace that was the fastest in eight months. The upturn was broad-based by sub-sector, and led by investment goods. Those panellists that reported higher output volumes mentioned better demand conditions and a pick-up in sales.

Aggregate new order intakes rose substantially in July, recovering the growth momentum lost in June. The latest increase was in fact the most pronounced since last November, with quicker expansions recorded in all three broad areas of the manufacturing industry.

Although international markets contributed to the latest upturn in total order books, there was a noticeably slowdown in external sales. New export orders rose at a moderate pace that was the weakest in the current four-month period of growth.

Encouragingly, goods producers registered a softer increase in their expenses during July. Robust demand for raw materials meant that cost burdens continued to rise, but the rate of inflation slipped to an 11-month low. Chemicals, electronic components, metals, textiles and transportation fees were reportedly up on the month.

Comment

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

"The Indian manufacturing industry recorded a welcome combination of faster economic growth and softening inflation during July.

"Output expanded at the fastest pace since last November, a trend that was matched by the more forward-looking indicator new orders. Although the upturn in demand gained strength, there were clear signs that capacity pressures remained mild as backlogs rose only marginally and job creation remained subdued.

"Purchasing activity growth ticked higher in July and firms were successful in their efforts to obtain inputs amid a second consecutive improvement in supplier performance. This in turn supported a near-record increase in inventories of raw materials and semi-finished goods as well as a softer upturn in input costs.

"With incidences of shortages diminishing, the rate of input cost inflation eased to an 11-month low in July, subsequently dragging down the rate of increase in output prices to the weakest in four months."

PMI by S&P Global

Similar to input costs, there was a softer upturn in factory gate charges during July, one that was the slowest in four months.

Inflation rates, for both input prices and output charges, were most acute in the capital goods segment. The weakest rises were noted in the intermediate goods sub-sector.

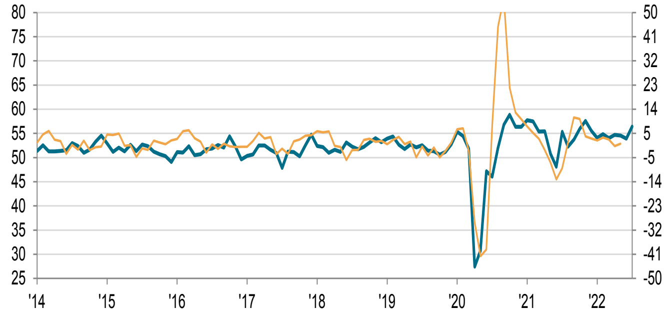
Despite the solid performance of the manufacturing industry, overall job creation remained subdued. The latest increase in employment was marginal and broadly similar to those seen in the current five-month sequence of growth. The vast majority of firms (98%) opted to leave workforce numbers unchanged amid a lack of pressure on operating capacity.

Indeed, outstanding business increased only marginally at the start of the second fiscal quarter and at a rate that was similar to those registered over the past seven months.

Another factor that constrained hiring activity was future uncertainty. Despite improving from June's 27-month low, the overall level of business sentiment was muted in the context of historical data. In fact, 96% of manufacturers forecast no change in output from present levels over the course of the coming 12 months.

Suppliers to the Indian manufacturing sector were able to deliver goods in a timely manner in July, with vendor performance improving marginally for the second straight month. Lead times shortened despite a substantial uptick in input buying.

Subsequently, goods producers noted one of the fastest increases in their input holdings since data collection started in early-2005. On the other hand, inventories of finished products continued to decline.



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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