News Release

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S&P Global India Manufacturing PMI®

Manufacturing growth continues to trend higher as input cost inflation recedes further

Key findings

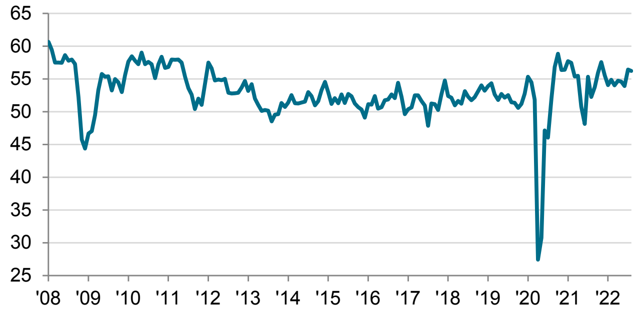
Growth of output and new orders strongest since November

Input cost inflation retreats to one-year low

Business confidence improves substantially in August

India Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global.

Data were collected 12-24 August 2022.

A sustained improvement in demand conditions boosted new order intakes at Indian manufacturers during August, which in turn pushed output growth to a nine-month high. Production volumes were also supported by a pick-up in exports and upbeat projections for the year-ahead outlook. Firms were at their most optimistic for six years.

On the supply side, the results showed a further shortening of delivery times and a slower upturn in prices charged by vendors. The rate of input cost inflation softened to the weakest in a year, but the passing of higher freight, labour and material prices to clients kept the pace of increase in output prices little-changed from July.

The seasonally adjusted S&P Global India Manufacturing Purchasing Managers' Index® (PMI®) was little-changed from July's reading of 56.4, posting 56.2 in August and signalling the second-strongest improvement in operating conditions since last November.

Contributions to the PMI from sub-indices varied as faster increases in new orders and output compared with slower expansions in employment and stocks of purchases. Delivery times, which is inverted before entering the calculation, shortened to the greatest extent in close to five years.

Indian manufacturers reported the fastest increase in production in nine months, which they attributed to greater sales, recent efforts to enhance capacities, fewer COVID-19 restrictions and product diversification.

Similarly, factory orders rose at the quickest pace since last November, reportedly boosted by strengthening demand conditions, new client wins and fruitful advertising.

International markets gave impetus to total sales, as seen by a marked and quicker increase in new export orders halfway through the second fiscal quarter.

The latest results also indicated that recent inflation concerns somewhat faded, as business sentiment

Comment

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

"Indian manufacturers continued to benefit from the absence of COVID-19 restrictions, with rates of growth for both output and new orders picking up yet again to the strongest since last November.

"This robust performance was complemented by a fourth successive monthly slowdown in the rate of input cost inflation, which slipped to the lowest in a year amid softer pressures from commodity prices. Factory gate charges rose at the second-weakest pace since the start of fiscal year 2022/23, one that was similar to July.

"Firms welcomed the weaker increase in input costs with and upward revision to output forecasts amid renewed hopes that contained price pressures will help boost demand. Inflation concerns, which had dampened sentiment around mid-year, appear to have completely dissipated in August as seen by a jump in business confidence to a six-year high."

strengthened further from June's 27-month low. In fact, the degree of optimism was at its highest in six years. Predictions of stronger sales, new enquiries and marketing efforts all boosted confidence in August.

Although manufacturers continued to signal higher prices for a wide range of materials in August, the overall rate of cost inflation softened to a one-year low as commodity prices (particularly aluminium and steel) moderated.

There was a moderate upturn in factory gate charges in August as monitored companies lifted their fees in line with the passing on of higher freight, labour and material costs to clients.

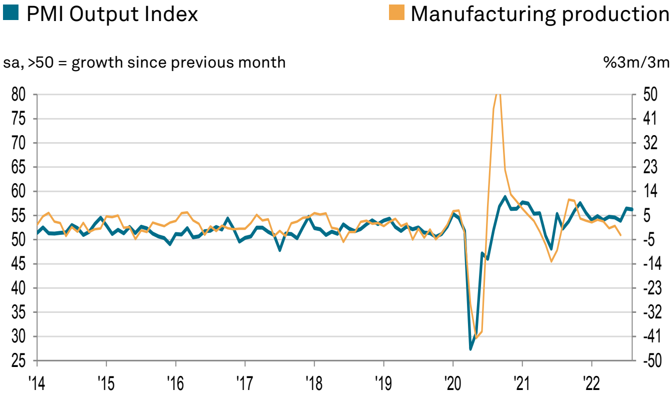
Strong sales growth and a rise in production requirements supported a further increase in input buying at manufacturers. Despite easing from July, the pace of expansion remained sharp.

Firms also noted that lead times on inputs continued to shorten in August, with the latest improvement in vendor performance mild but the greatest in close to five years.

In turn, firms were able to add to their input inventories. Stocks of purchases increased markedly, but at the slowest pace in a year.

Firms indicated that, in some instances, sales were fulfilled from current inventory holdings in August. This led to another decline in post-production stocks.

Concurrently, there was another increase in backlogs at manufacturers, with the rate of accumulation the quickest since November 2020.



Sources: S&P Global, CSO.

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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.

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.