

Manufacturing Purchasing Managers' Index (PMI)

Prelims: Current events of national and international importance | Economy

Why in News?

According to the Manufacturing PMI, India's manufacturing sector activity falls to a 9-month low in November on a softer rise in sales, production.

- **PMI** It is an economic indicator derived from *monthly surveys* of companies.
- It reflects business activity trends in the *manufacturing & services* sectors.
- 2 types Manufacturing PMI and Services PMI, also a combined PMI is also available.
- Compiled by <u>S&P Global</u>, a global major in financial information and analytics.

Manufacturing PMI

- **Focus** Captures activity in the manufacturing sector.
- Survey Basis It is derived by sending a *fact-based questionnaire* to manufacturing firms.
- 5 key variables & Weights -
 - New orders 30%
 - Output 25%
 - $_{\circ}$ Employment 20%
 - Suppliers' delivery times 15%
 - $_{\circ}$ Stock of items purchased 10%
- **Interpretation** Indicates whether conditions are expanding (Above 50), contracting (Below 50), or stable (Exactly 50).
 - Rate of expansion/contraction judged by deviation from 50 and comparison with previous month.
- Significance It is released before GDP and industrial output data; helps to predict the direction of the economy; manufacturers adjust production based on new orders; Economists track PMI for forecasting

growth trends.

Key findings (November Manufacturing PMI)

- **Decline in PMI** Manufacturing PMI fell from 59.2 in October to 56.6 in November, highlighting the slowest improvement in operating conditions since February.
- Key reasons for decline -
 - Tariff Impact U.S. tariffs on Indian exports slowed manufacturing expansion; new export orders PMI fell to a 13-month low.
 - **Domestic Factors** Includes fading of the boost from GST cuts and challenging market conditions reported by firms.
 - International sales trend Remained still favourable in <u>Africa</u>, <u>Asia</u>, <u>Europe</u>, <u>and Middle East</u>, but overall growth momentum weakened.
 - On average, new export orders rose at the weakest pace in over a year.
- **Prices & Inflation** With input costs and selling charges rising at the slowest rates in 9 and 8 months respectively, inflationary pressures eased, offering some relief to producers.
- Purchasing Activity Manufacturers in India adjusted their hiring efforts and purchasing activity in line with a slowdown in new order growth.
- **Employment** Employment expanded at the softest pace in 21 months of uninterrupted growth.

References

- 1. The Hindu | Manufacturing sector activity falls to 9-month low
- 2. Business Standard | Manufacturing PMI

