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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 –** ***S&P Global***, 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%
  - Employment – 20%
  - Suppliers' delivery times – 15%
  - 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 ***Africa, Asia, Europe, and Middle East,*** 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