Indian manufacturing sector continues to power ahead in November

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Manufacturing operating conditions in India strengthened for the third successive month in November, as healthier inflows of new orders encouraged companies to lift production and input buying to greater extents than in October. Cost inflation moderated, but the revival in demand translated into improved pricing power among producers who raised their charges at a quicker rate. Elsewhere, job creation was sustained while sentiment picked up.

The Nikkei India Manufacturing Purchasing Managers Index (PMI) rose for the third consecutive month in November, up from 53.1 in October to 54.0. The latest figure signalled the strongest improvement in the health of the sector in almost one year.

Buoyed by stronger demand conditions and greater sales, manufacturers increased production at the second-quickest pace since October 2016. The rise was led by intermediate goods firms, although robust growth was also seen in the consumer and capital goods categories.

Likewise, new orders expanded at the second-fastest rate in over two years, slower only than that seen in December 2017. Companies suggested that marketing efforts bore fruit, while stronger demand too boosted sales. Intermediate goods makers also fronted the upturn.

The expansion in total new orders was supported by greater sales to international markets. Growth of new export work quickened to the fastest in just under four years, as producers reportedly received bulk orders from clients in key export destinations.

Heated demand exerted upward pressure on capacities, as highlighted by a renewed increase in outstanding business. At the same time, manufacturers utilised their stocks to fulfil orders, with holdings of finished goods down for the sixteenth month in a row during November.

Conversely, pre-production inventories rose as companies stepped up input buying. The upturn in quantities of purchases was the most pronounced in ten months, while stocks of purchases also increased at a quicker pace.

Goods producers created jobs in November. The increase in employment softened slightly since October, but was nonetheless among the fastest seen in six years.

Firms felt confident to hike their charges, amid an improved demand environment, despite cost inflation easing to a seven-month low in November. Exactly 7% of companies noted greater expenses, citing higher chemical, energy, metal, plastic and textile prices. The remaining firms reported no change in input prices since October.

Business sentiment improved from Octobers 20- month low, with Indian manufacturers forecasting better market conditions in the coming 12 months. Improved advertising campaigns was also a factor leading to predictions that production will expand in the year ahead.

Finally, there was broadly no change in suppliers delivery times in November, as signalled by the respective index recording only fractionally below the 50.0 neutral mark.

Commenting on the Indian Manufacturing PMI survey data, Pollyanna De Lima, Principal Economist at IHS Markit and author of the report, said:
The Indian manufacturing sector continued to recover from ground lost in August, with November seeing the headline PMI climb to an 11-month high. The relatively weak demand environment seen earlier in the year showed signs of abating, with clients unfazed by another round of increases in output prices and placing more orders regardless. Correspondingly, goods producers rebuilt raw material stocks in order to guard against possible delivery delays and fulfil contracts.

Manufacturers further drew down their finished goods stocks to meet demand. This, coupled with improved business sentiment, should ensure that production continues to rise at a robust clip as we head towards 2019.

Signs of rising confidence in the upturn were also provided by the trend for employment, which continued to grow at one of the quickest rates seen in six years. Supply-chain pressures remained weak, however, which supported a softer rise in input prices.