



## Fall in Manufacturing PMI

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The **Purchasing Managers' Index** (PMI) for India's manufacturing shows that the **sector's expansion** as well as the **pace of new orders** slowed down while employment declined further **as business optimism faded** during the month of November.

PMI is an **indicator of business activity** in the **manufacturing and services sectors**.

### Key Points

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- **Data Analysis:**
  - India's **Purchasing Managers' Index (PMI)** fell to a three-month low of 56.3 in November from an over 12-year high of 58.9 in October.
    - In PMI parlance, a print **above 50 means expansion**, while a score below that **denotes contraction**.
    - Although India's PMI is in the expansion zone, the **ongoing rise in Covid cases** in some states and **uncertainty about regional lockdowns** is denting confidence.
  - There were **slower increases** in factory orders, exports, buying levels and output.
  - Indian manufacturers are **refraining from hiring**. Employment **fell in November** as companies observed **social distancing guidelines**.

- **Calculation of PMI:**

- It is a survey-based measure that **asks the respondents about changes in their perception about key business variables** as compared with the previous month.
- The **purpose** of the PMI is to provide information about current and future business conditions to company decision-makers, analysts, and investors.
- It is **calculated separately** for the **manufacturing and services sectors** and then a composite index is also constructed.
- The PMI is a number from **0 to 100**.
  - **PMI above 50 represents an expansion** when compared to the previous month;
  - **PMI under 50 represents a contraction**, and
  - A reading **at 50 indicates no change**.
- If PMI of the previous month is higher than the PMI of the current month (as is the case mentioned above), it represents that the **economy is contracting**.
- It is usually released at the **start of every month**. It is, therefore, considered a **good leading indicator** of economic activity.
- PMI is **compiled by IHS Markit** for more than 40 economies worldwide. IHS Markit is a global leader in information, analytics and solutions for the major industries and markets that drive economies worldwide.
- As the official data on industrial output, manufacturing and GDP growth **comes much later**, PMI helps to make informed decisions at an earlier stage.
- It is **different from the Index of Industrial Production (IIP)**, which also gauges the level of activity in the economy.

**Source:TH**