



## Growth in Manufacturing: PMI and NIBRI

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### Why in News

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As per the **IHS Markit India Purchasing Managers' Index (PMI)**, India's **manufacturing output showed the strongest growth in 13 years in October 2020** amid robust sales growth.

The **Nomura India Business Resumption Index (NIBRI)** has also shown improvement.

### Key Points

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- **Rise in PMI:** The headline seasonally adjusted IHS Markit India Manufacturing Purchasing Managers' Index (PMI) **rose from 56.8 in September to 58.9 in October**, and pointed to the **strongest improvement in the health of the sector** in more than a decade (13 years).
  - This is a **third straight monthly improvement** in PMI. In **April**, the index had slipped into **contraction mode (27.4)**, after remaining in growth territory for 32 consecutive months.
  - In PMI parlance, a print **above 50 means expansion**, while **a score below that denotes contraction**.
- **Improvement in NIBRI:**
  - NIBRI **improved to 82.4 in October**, a rise of **2.1 points** from 80.3 in September and 73.6 in August.
  - It is the **Japanese brokerage's weekly tracker** of the **pace of normalisation of economic activity**.

- **Reasons:**
  - **Upturn in Sales:** The upturn in sales was the **strongest since mid-2008**.  
A **strong jump in e-way bills** (electronic permits for goods movement) has been seen for October, indicating that more goods were shipped within and across states in the month.
  - **Rise in Export Orders:** New export orders rose at a quicker pace, one that was the most pronounced in close to six years.
  - **Improvement in IIP:** The **index of industrial production (IIP)** shrank **8% in August** on a year-on-year basis, marking a **marginally improvement** compared with **July** when output **contracted 10.8%**.
- **Concerns:** The compliance with government guidelines related to the Covid-19 pandemic caused a **further reduction in employment**. The fall was the **seventh in consecutive months**.

### **Purchasing Managers' Index**

- PMI is an **indicator of business activity** - both in the manufacturing and services sectors.
  - It is **calculated separately** for the manufacturing and services sectors and then a **composite index** is also constructed.
  - The PMI summarizes whether **market conditions as viewed by purchasing managers are** expanding, neutral, or contracting.
- The purpose of the PMI is to provide information about **current and future business conditions to company decision makers, analysts, and investors**.
- The headline 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**.
- The PMI 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.

**Source: IE**