



Purchasing Managers Index

Why in News?

As per the S&P Global India Manufacturing [Purchasing Managers' Index \(PMI\)](#), the manufacturing sector in India had its most significant production growth in 13 months in December 2022.

- For the **October to December quarter**, the **PMI averaged 56.3**, the highest in a year. It indicates that the manufacturing sector is performing well and may be contributing to job creation.

What is Purchasing Managers Index?

- 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**.
 - A print above **50** means expansion, while a score below that denotes contraction.
 - A reading at **50** indicates no change.
- If PMI of the previous month is higher than the PMI of the current month, 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.
 - IHS Markit is part of S&P Global.

What is the Significance of PMI?

- The **PMI** is widely followed as an indicator of economic health because the manufacturing and services sector is a key driver of economic growth.
- In general, a **high PMI** reading is seen as a positive sign for the economy, as it indicates that the **manufacturing and services** sectors are performing well and contributing to **economic growth**.
- A **low PMI** reading is seen as a **negative sign**, as it indicates that the **manufacturing and services sectors** are **struggling** and may be **dragging down overall economic performance**.

UPSC Civil Services Examination, Previous Year Questions (PYQ)

Q. What does S & P 500 relate to? (2008)

- (a) Supercomputer
- (b) A new technique in e-business
- (c) A new technique in bridge building
- (d) An index of stocks of large companies

Ans: (d)

Exp:

- S&P 500 or Standard & Poor's 500 is an American Stock index, which is widely regarded as the best gauge of large-capital US Equities.

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