



## Purchasing Manager's Index

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### Why in News

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The manufacturing Purchasing Manager's Index (PMI) was recorded at a 2-year low in October 2019. The score has decreased from 51.4 in September 2019 to 50.6 in October 2019.

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

### Calculation of PMI

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- 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.
- It is calculated separately for the manufacturing and services sectors and then a composite index is constructed.

*The latest composite PMI decreased to 49.8 in September 2019 from 52.6 in August 2019.*

- 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**.
- The PMI is usually **released at the start of every month**. It is, therefore, considered a **good leading indicator** of economic activity.

**Purpose:** To **provide information** about current and future business conditions to company decision-makers, analysts, and investors. As the official data on industrial output, manufacturing and GDP growth comes much later, PMI helps to make informed decisions at an earlier stage.

**Source: IE**