



Growth in Manufacturing: PMI and NIBRI

Why in News

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

- **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

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