



Contraction of India's Manufacturing Sector: PMI

Why in News

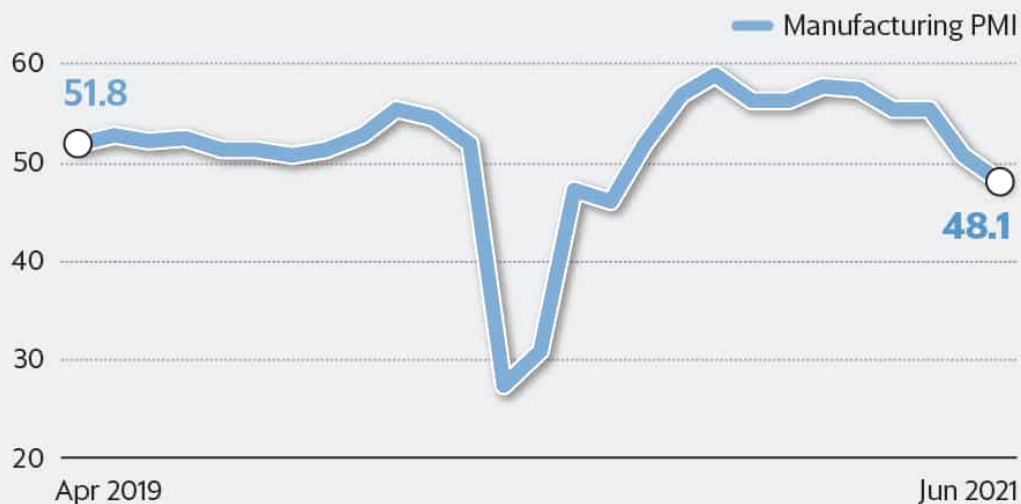
The IHS Markit India Manufacturing [Purchasing Managers' Index \(PMI\)](#) slipped to **48.1 in June** from **50.8 in May**, moving below the **50-level separating growth from contraction**.

- India's manufacturing activity contracted in June for the first time in 11 months as the [second wave of the Covid-19 pandemic](#) and **strict containment measures negatively impacted demand** and led to renewed contractions in factory orders, production, exports and quantities of purchases.

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Pressure point

The purchasing managers' index (PMI) for the manufacturing sector dropped to 48.1 in June from 50.8 in May.



A figure below 50 indicates contraction.

Key Points

- PMI** 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 the 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.
- As the official data on industrial output, manufacturing and Gross Domestic Product (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.
 - IIP covers the broader industrial sector compared to PMI.
 - However, PMI is more dynamic compared to a standard industrial production index.

Source: TH

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