



Purchasing Managers' Index

Why in News

The seasonally adjusted **IHS Markit India Manufacturing Purchasing Managers' Index (PMI)** was at 55.5 in April 2021, little changed from March's reading of 55.4.

Key Points

- 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.
- 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