



# India Manufacturing PMI

**PMI slowed to 50.3 in October 2017 from 51.2 the previous month .**

**Inflows of new orders stagnated as the negative effects arising from the implementation of GST continued to dampen demand levels.**

**The rate of payroll growth was modest and broadly unchanged from September's recent high.**

### Key Highlights —

- ◆ PMI slowed to 50.3 in October
- ◆ Output rises fractionally while new orders stagnate
- ◆ Level of positive sentiment falls to the weakest since February
- ◆ Labour market continued to improve

Growth in India's manufacturing struggled somewhat as the recent recovery enjoyed by the sector lost momentum in October. Nikkei India Manufacturing Purchasing Manager's Index (PMI) fell to 50.3 in October 2017 from 51.2 in September. A reading above 50 on the index denotes expansion and less than that indicates contraction in activities.

During the month, inflows of new orders stagnated as the negative effects arising from the implementation of GST continued to dampen demand levels. Furthermore, overseas demand for Indian goods dipped to the greatest extent since September 2013.

Output growth eased to a fractional pace, and one that was the slowest in the current three-month period of rising production. Where an increase in output was registered, firms associated this with stronger demand. Where a decrease in output was observed, firms blamed the negative effects of GST.

On the price front, manufacturing companies continued to face higher input costs, which rose at the fastest pace since May. Firms raised their output charges to pass on higher cost burdens to clients. That said, their ability to fully pass on higher input costs was restricted due to competitive conditions. Reflecting subdued demand conditions, firms were discouraged from engaging in input buying. Purchasing activity fell for the first time in three months, albeit marginally. Meanwhile, preproduction stocks reduced in October.

On the bright side, the labour market continued to improve, with manufacturers further increasing their staffing levels. The rate of payroll growth was modest and broadly unchanged from September's recent high. Firms associated a rise in employment with greater outstanding business.

Finally, the level of positive sentiment among manufacturers towards output growth eased to the weakest since February, according to the survey. Optimism was rooted in projected benefits of GST materialising over the next 12 months. However, some firms expressed concerns over negative GST effects.



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Stock Recommendation	Expected absolute returns (%) over 12 months
Strong Buy	>20%
Buy	between 10% and 20%
Hold	between 0% and 10%
Sell	0 to <-10%
Neutral	No Rating

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