

Purchasing Managers' Index (PMI)

November 4, 2020

In news:

- India's manufacturing sector activity improved for the third straight month in October with IHS Markit India Manufacturing Purchasing Managers' Index (PMI) saw a rise from 56.8 in September to 58.9 in October, 2020.

More information:

- The IHS Markit India Manufacturing Purchasing Managers' Index is an indicator of business activities- both in manufacturing and the service sectors.
- It is derived from a survey of 500 manufacturing companies.
- The PMI is usually released at the start of every month.
- It is considered a good leading indicator of economic activity.
- It is **based on five individual indexes** with the following weights:

New Orders (30 percent),

Output (25 percent),

Employment (20 percent),

Suppliers' Delivery Times (15 percent)

Stock of Items Purchased (10 percent)

- A **reading above 50 indicates** an expansion of the manufacturing sector compared to the previous month, **below 50** represents a contraction, **while 50 indicates no change.**

