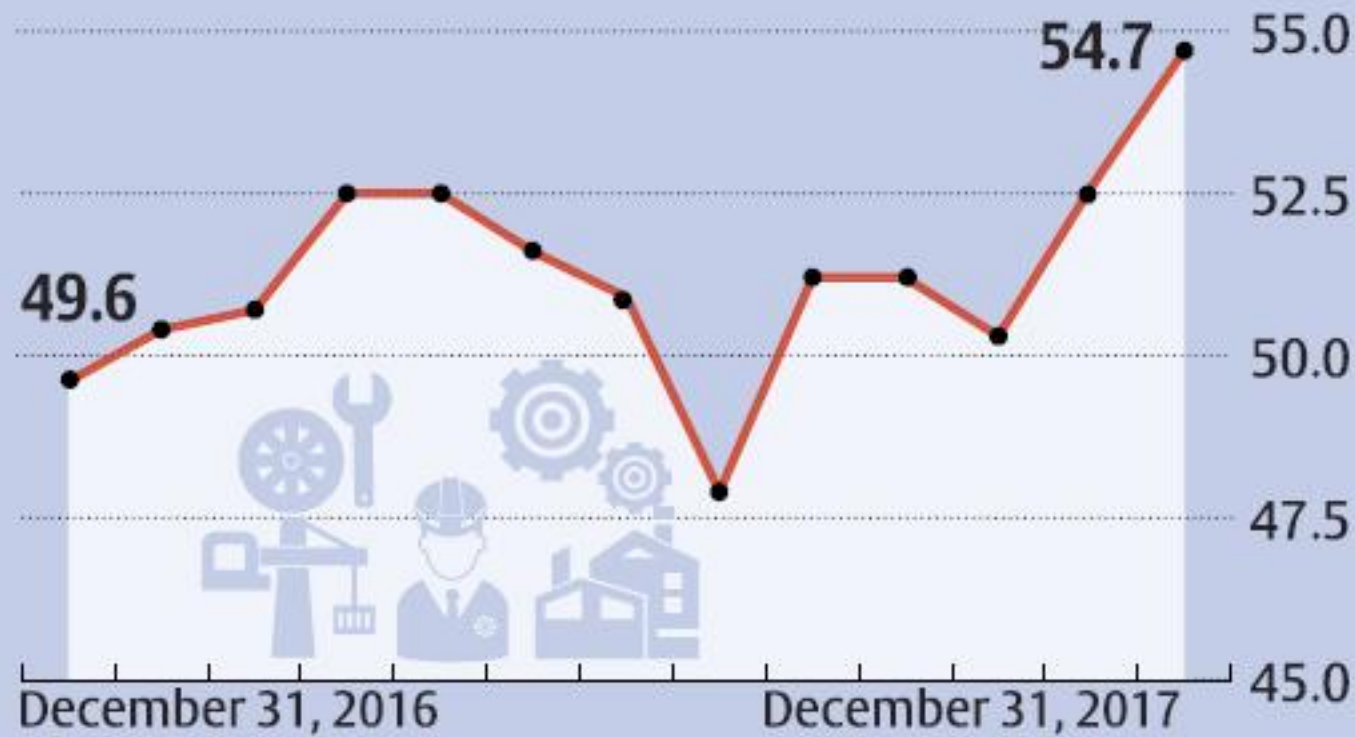


Manufacturing up in December

The Nikkei India Manufacturing Purchasing Manager's Index, an indicator of the economic health of the country's manufacturing sector showed the strongest improvement in the past five years during December 2017

The Nikkei India Manufacturing PMI rose to **54.7** in December from 52.6 in November



INVENTORY DECLINE

Holdings of finished goods at Indian manufacturers declined for the fifth consecutive month in December. The rate of depletion quickened to the sharpest since September.

Contractions in post-production inventories were evident in each of the three market groups covered by the survey



HIGHLIGHTS

- The upward movement in the headline index was driven by a sharp increase in output
- Introduction of the GST continued to exert pressure on manufacturers' cost burdens in December
- Input cost inflation accelerated to the strongest since April and was sharply higher
- Reflecting greater cost pressures, firms raised their output charges for the fifth successive month
- Expectations of an improvement in economic conditions was cited as the key factor behind positive sentiment



The sector continues to face some turbulence as delayed customer payments contributed to greater volumes of outstanding work. On the price front, GST continued to lead to greater raw material costs. As consumer spending recuperates, firms were restricted in their ability to pass on higher cost burdens to clients

AASHNA DODHIA
Economist at IHS Markit