



PMI services drops to three-month low in April

Context:

India's services activity slowed to a three-month low in April 2021, with an escalating second wave of coronavirus pandemic and localized lockdowns across the country forcing services firms to curtail operations.

Relevance:

GS-III: Indian Economy (Growth and Development of Indian Economy, Mobilization of Resources)

Dimensions of the Article:

1. What is Purchasing Managers' Index (PMI)?
2. Understanding PMI

What is Purchasing Managers' Index (PMI)?

- The Purchasing Managers' Index (PMI) is an index of the prevailing direction of economic trends in the manufacturing and service sectors.
- It consists of a diffusion index that summarizes whether market conditions, as viewed by purchasing managers, are expanding, staying the same, or contracting.
- The purpose of the PMI is to provide information about current and future business conditions to company decision makers, analysts, and investors.
- In simple words, Purchasing Managers Index (PMI) is a measure of the prevailing direction of economic trends in manufacturing.



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- 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.
 - 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.

Understanding PMI

The PMI is a number from 0 to 100.

1. A print above 50 means expansion, while a score below that denotes contraction.
2. 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.

It is different from the Index of Industrial Production (IIP), which also gauges the level of activity in the economy.

1. IIP covers the broader industrial sector compared to PMI.
2. However, PMI is more dynamic compared to a standard industrial production index.

-Source: Livemint