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# Topic wise content



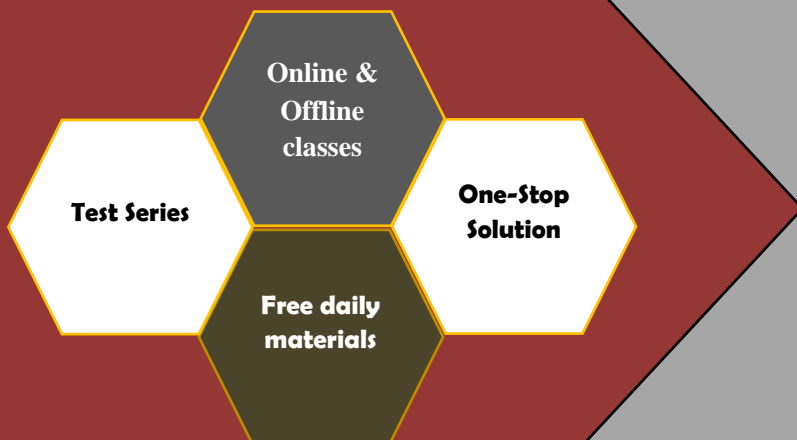
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## Purchasing Manager's Index

Notes for civil services preparation



UPSC

General Studies

## Purchasing Manager's Index

Definition: PMI is an indicator of business activity- in the manufacturing and services sectors.

### Calculation of PMI

- 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.
- It is calculated separately for the manufacturing and services sectors and then a composite index is constructed.
  - The latest composite PMI decreased to 49.8 in September 2019 from 52.6 in August 2019.
- The PMI is a number from 0 to 100.
  - PMI above 50 represents an expansion when compared to the previous month;
  - PMI under 50 represents a contraction, and
  - A reading at 50 indicates no change.
  - If PMI of the previous month is higher than the PMI of the current month (as is the case mentioned above), it represents that the economy is contracting.
- The PMI is usually released at the start of every month. It is, therefore, considered a good leading indicator of economic activity.

**Purpose:** To provide information about current and future business conditions to company decision-makers, analysts, and investors. As the official data on industrial output, manufacturing and GDP growth comes much later, PMI helps to make informed decisions at an earlier stage.

Purchasing Manager's Index (PMI) focuses mainly on the five major Survey Areas:

1. Employment
2. New orders
3. Production
4. Inventory levels
5. Supplier deliveries

The Institute for Supply Management (ISM) weighs all of these five surveys equally. The headline PMI is a number which ranges from 0 to 100. If a PMI is above 50, it represents an expansion when compared with the previous month.

If the PMI value falls below 50, it indicates a contraction while a PMI value of 50 indicates no change.