

India Manufacturing Tracker: 2024-25

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India is keen to expand its manufacturing sector, with a focus on diversifying into newer lines of production, advancing the industrial capacity of traditional sectors like automobiles, and establishing a globally competitive domestic supply chain ecosystem.

Various national flagship schemes, like the Production-Linked Incentives (PLI) program targeting 14 sectors, alongside state-specific industrial policies, intend to raise the sector-wise contribution of manufacturing to the GDP to 25 percent by 2025.

While India's manufacturing sector has experienced steady growth in the past decade, it has been somewhat underwhelming relative to the country's large population. Recently, however, the sector has gained momentum, driven by new investments and a strategic move by several foreign manufacturing firms to diversify their operations across multiple markets.

In FY 2022-23, India's manufacturing sector recorded an annual production growth rate of 4.7 percent, contributed 17 percent to the nation's GDP, and employed 57.3 million workers during this period.

Given this background, *India Briefing* is launching this 2024-25 India manufacturing tracker, where we will monitor key statistics associated with India's industrial production sectors in the 2024-25 fiscal year, highlight emerging trends, and note prominent government support schemes.

India's Purchasing Managers' Index (PMI)

The Purchasing Managers' Index (PMI) is an economic indicator based on monthly surveys of companies. It tracks trends in both the manufacturing and services sectors, showing whether business conditions are expanding, contracting, or staying the same. PMI is important for predicting the economic health of a country and is closely monitored.

There are two types of PMI:

- Manufacturing PMI
- Services PMI

A combined PMI includes both sectors.

How is manufacturing PMI calculated?

The PMI is derived by sending fact-based questions to a large number of companies in the concerned sector. For manufacturing PMI, the questionnaire is sent to manufacturing companies. The questions are factual in nature, and the survey is not meant for opinions, intentions, or expectations.

The PMI is based on five key factors:

- New orders (30%)
- Output (25%)
- Employment (20%)
- Suppliers' delivery times (15%)
- Stock of items purchased (10%)

A PMI above 50 indicates business expansion, while below 50 signals contraction. The difference between 50 and the previous month's data shows the rate of change.