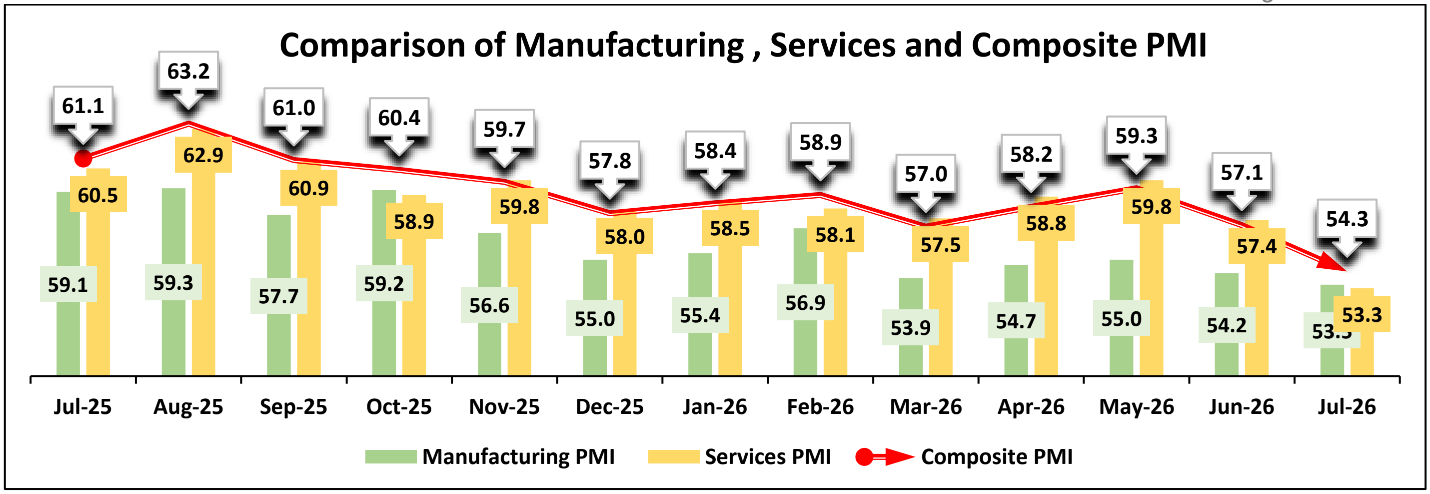
Macro Insights

05th August 2026

Purchasing Managers' Index (PMI) for July 2026

Manufacturing PMI	Services PMI
☞ *India's Manufacturing PMI eased to **53.5 in Jul'26 from 54.2 in Jun'26** indicating the slowing pace of expansion in manufacturing activity.* ☞ *While the sector remained firmly in growth territory, the latest reading marked its weakest expansion since Aug'21, as new orders and sales growth moderated further even as export demand strengthened and input cost pressures eased.* The main observations for the month are: ➢ New orders growth moderated further, with the pace of expansion the second weakest in over four years, as firms reported increasingly challenging market conditions and reduced client interest, particularly for consumer goods. ➢ Export demand strengthened, supported by stronger new export orders from Canada, Egypt, Indonesia, Kenya, Nepal, South Africa, Thailand and the UAE. ➢ Input cost inflation eased further, falling to a five-month low, though prices of transportation continued to rise. ➢ Output price inflation was largely steady, with a moderate increase in selling prices broadly similar to Jun'26, as firms sought to protect margins. ➢ Employment growth slowed for a third straight month, registering the weakest pace of hiring in the current 29-month growth streak, as firms exercised caution amid slower order growth. ➢ Input purchases retreated to a 31-month low amid weaker order growth, even as improving supplier delivery times helped input inventories build up at a quicker pace, while finished goods inventories rose at their fastest pace in over 11 years as firms rebuilt buffers amid renewed Middle East tensions.	☞ *India's Services PMI **declined to 53.3 in Jul'26 from 57.4 in Jun'26**, marking the lowest reading in four and a half years, as softer domestic demand and reduced client interest weighed on business activity.* ☞ *The growth momentum weakened considerably, with activity easing to its softest pace since Feb'22, even as the services sector remained firmly in expansion territory.* The main observations for the month are: ➢ New business growth slowed to a 53-month low, as firms reported softer demand conditions, intense competition and fewer client enquiries in both domestic and export markets. ➢ Export demand remained a bright spot, with new export orders growing faster than overall new business, led by stronger demand from clients in the UAE, UK and US. ➢ Employment growth rebounded modestly from Jun'26's six-month low, as service providers resumed hiring, helping lift overall private sector job creation. ➢ Input cost inflation softened to a six-month low and remained below its long-run average, despite continued increases in fuel, labour, material, technology and transportation costs. ➢ Output price inflation accelerated, with firms raising selling prices at the fastest pace since April, supporting profit margins. ➢ Business confidence remained positive, aided by expectations of improved demand, better market conditions and higher inbound tourism, though optimism eased to a seven-month low.
☞ *Composite PMI indices are weighted averages of comparable manufacturing and services PMI indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data.* ☞ *India's **Composite PMI** declined to 54.3 in Jul'26 from 57.1 in Jun'26, indicating a moderation in private sector activity growth. Although the reading remained consistent with a strong pace of expansion, it represented the slowest growth since March and pointed to a broad-based easing across manufacturing and services sectors.*	



Source: HSBC India, S&P Global, PNB (EIC)

Outlook:

India's private sector activity remained firmly in expansion territory during Jul'26, though growth moderated further to its weakest pace since Mar'22. The slowdown was concentrated in the services sector, where new business growth eased to a 53-month low amid softer demand conditions, intense competition and fewer client enquiries, while manufacturing activity eased to a near five-year low as new orders and sales growth moderated.

Manufacturing activity moderated further in Jul'26, with growth in new orders and sales among the softest seen in over four years, led by weakness in the consumer goods segment even as intermediate and capital goods producers fared better. Overall, it reflects softer domestic demand conditions and heightened market competition. However, activity levels continue to remain well above the neutral mark of 50.0, and export demand strengthened meaningfully, suggesting that the underlying growth trajectory of the economy remains resilient.

A notable positive development during the month was the continued strength in external demand, with export orders accelerating across both manufacturing and services on the back of stronger enquiries from Canada, Egypt, Indonesia, Kenya, Nepal, South Africa, Thailand, the UAE, UK and the US. Price pressures were mixed: input cost inflation eased in both sectors, aided by moderation in fuel and transportation costs, while output price inflation firmed as firms sought to pass on costs and protect margins amid renewed tensions in the Middle East.

The near-term outlook remains moderately positive, supported by strong domestic fundamentals, sustained govt. capex, resilient exports and healthy corporate and banking sector balance sheets. With the festive season setting in over the coming months, domestic consumption is expected to pick up, which should lend support to new orders and output across both manufacturing and services. That said, some headwinds are likely to persist, including intensifying market competition and moderating business confidence, which eased to a multi-month low across both sectors, while global trade uncertainty and geopolitical tensions in the Middle East continue to weigh on external demand.

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