Macro Insights

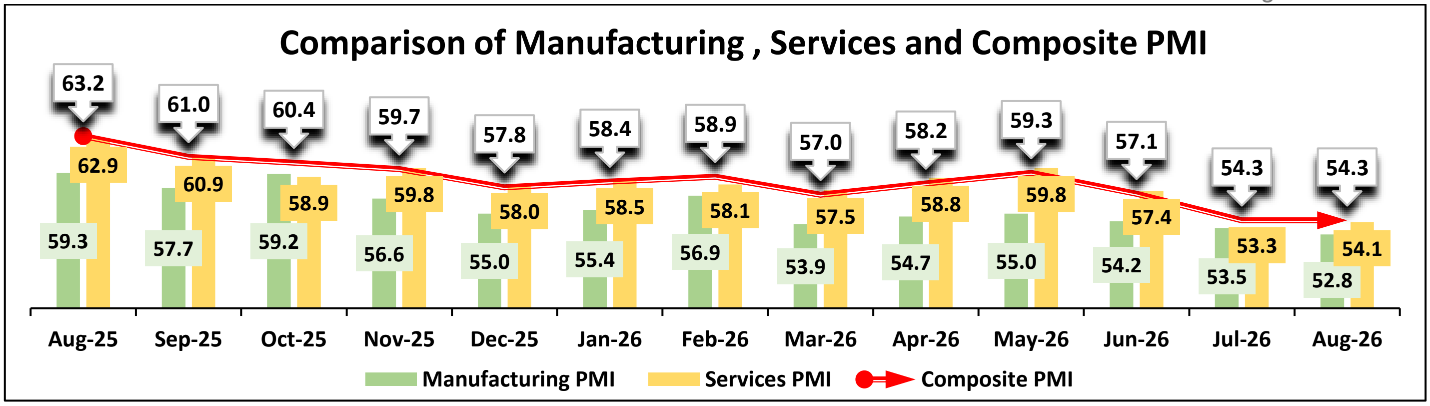
3rd September 2026

Purchasing Managers' Index (PMI) for August 2026

Manufacturing PMI	Services PMI
☞ *HSBC India Manufacturing PMI slipped to **52.8 in Aug'26 from 53.5 in Jul'26**, marking the weakest improvement in manufacturing conditions in five years and extending the decline for the third consecutive month.* ☞ *The moderation reflected softer demand conditions, with growth in both output and new orders slowing to their weakest rates since Aug'21.* The main observations for the month are: ➢ New orders growth moderated, with the pace of expansion falling to a five-year low amid challenging market conditions and subdued appetite for some products. ➢ Export orders continued to expand, with gains reported across markets with Australia, Germany, mainland China, Spain, Thailand & the US. However, the pace of exports growth eased from Jul'26. ➢ Production growth slowed, with output rising at its weakest pace in five years, reflecting softer demand and more limited growth in new orders. ➢ Input cost pressures eased, with the rate of input price inflation declining to a 6-month low despite continued increases in the prices of materials and transportation. ➢ Output price inflation moderated sharply, with selling price inflation easing to the slowest pace in 45 months, as firms limited price increases amid softer demand and competitive pressures. ➢ Employment contracted marginally, marking the first decline in 2.5 years, as lower business requirements reduced staffing needs. ➢ Input purchasing growth weakened, falling to its slowest pace in 62 months, while finished goods inventories increased for the 2nd consecutive month, reflecting lower-than-expected sales.	☞ *India's services sector continued to expand in Aug'26, with the HSBC Services **PMI rising to 54.1 from 53.3 in Jul'26,** signaled accelerating growth, supported by higher demand and new business.* ☞ *Though Aug'26 reading is second-weakest expansion since Mar'22 and fractionally below its long-run average of 54.5.* The main observations for the month are: ➢ New orders growth accelerated, aided by stronger customer demand and marketing initiatives, but remained the 2nd slowest in nearly 4.5 years amid challenging market conditions and weaker client interest in some services. ➢ Export demand remained supportive, with new export orders expanding at a similar rate to Jul'26, although growth remained below the average recorded over the past year. ➢ Employment growth strengthened significantly, with job creation reaching a 15-month high, indicating continued hiring by service providers despite relatively subdued activity growth. ➢ Input cost inflation increased only marginally, remaining moderate by historical standards, with firms reporting higher spending on digital platforms, electricity, inputs, labor, marketing and regulatory requirements. ➢ Output price inflation accelerated, with prices charged for services rising at the fastest pace since Mar'26, as firms passed higher operating costs on to customers. ➢ Business confidence remained subdued, broadly unchanged from Jul'26, although service providers continued to expect improvements in market conditions and demand.

☞ *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 remained unchanged** at 54.3 in Aug'26, as an acceleration in services activity offset the continued slowdown in manufacturing. The reading indicated a solid pace of private sector growth, although it remained the joint-slowest in 4.5 years and below the historical trend.*



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

Outlook:

India's private sector activity remained resilient in Aug'26, with both manufacturing and services activity remaining in expansion territory, but operating at considerably lower momentum than seen at start of the fiscal year 2026-27 (Apr-May).

Manufacturing PMI declined for the third consecutive month, with output and new orders recording their weakest expansions since Aug'21. Manufacturing employment also contracted for the first time in 2.5 years, indicating that the moderation in demand is beginning to have a more visible impact on firms' hiring and purchasing decisions. Moreover, the external demand is no longer providing the same degree of support as earlier in the year.

In contrast, services activity improved marginally, supported by stronger new business and continued hiring, although new order growth was still the second slowest in nearly 4.5 years and export growth remained below its average over the past year.

On the price front, Input cost inflation in manufacturing eased to 6-month lows, while manufacturers sharply moderated increases in selling prices. Services, however, saw a modest pickup in both input costs and output charges, with firms passing higher operating expenses on to customers. Thus, while near-term price pressures remain relatively contained, the recent rise in energy prices and rupee weakness remain important risks to the inflation outlook.

The near-term outlook remains moderately positive. This is driven by stronger-than-anticipated economic growth momentum, as seen in the Q1 FY27 GDP growth rate of 7.8%, which outpaced the RBI's 7.0% forecast. With the festive season setting in over the coming months, domestic consumption is expected to pick up, which is anticipated to lend support to new orders and output across both manufacturing and services. That said, some principal risks remain including elevated oil prices, rupee weakness, tighter global financial conditions, trade-related uncertainty and geopolitical tensions in the Middle East that continue to weigh on external demand.

For any feedback or valuable suggestions: *Reach us at* ***eicsmead@pnb.co.in***

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