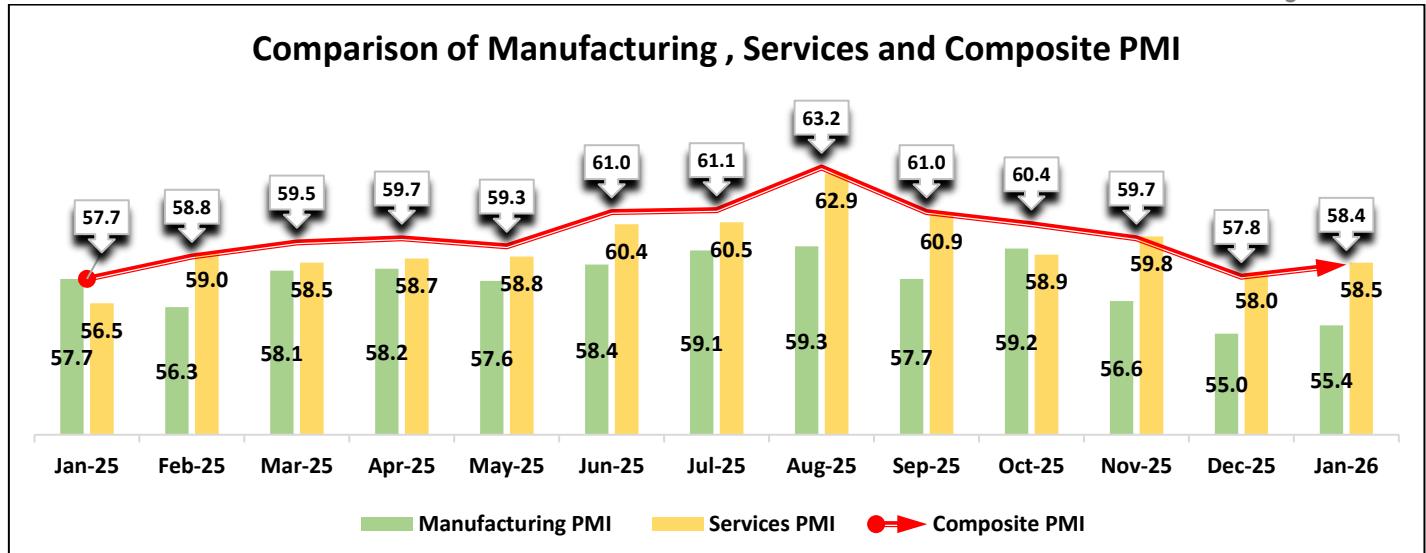


# Macro Insights

04<sup>th</sup> February 2026

## Purchasing Managers' Index (PMI) for January 2026

Manufacturing PMI	Services PMI
<p>☞ <i>HSBC India Manufacturing PMI rose to <b>55.4</b> in Jan'26 from a 2-year low of 55.0 in Dec'25. The reading, though revised lower than the flash estimates of 56.8 released in late Jan'26. Goods manufacturers witnessed strong start to 2026 with faster increases in new orders, output, employment and buying levels during Jan'26. Overall conditions remained expansionary (above 50) since July 2021, and the sector remained above its long-run average.</i></p> <p>The main observations for the month are:</p> <ul style="list-style-type: none"> <li>➤ New orders picked up speed in Jan'26 after a slowdown witnessed in Dec'25. Stronger domestic demand and better marketing helped push sales higher in both the domestic and overseas markets.</li> <li>➤ Exports grew at their slowest pace in 15 months, with most fresh orders originating from Asia, Australia, Canada, Europe, and the Middle East.</li> <li>➤ Factory employment rose marginally, though fastest in three months, reflecting firms hired to meet higher workloads.</li> <li>➤ Input cost inflation rose moderately to reach 4-month high, while output charge inflation eased further to 22-month low due to improved efficiency, better cost management and market rivalry.</li> <li>➤ Business confidence softened further in Jan'26 to its lowest level in over three-and-a-half years.</li> </ul> <p>☞ <i>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.</i></p> <p>☞ <i>India's Composite PMI edged up to <b>58.4</b> in Jan'26 from an 11-month low of 57.8 in Dec'25, supported by uptick in both manufacturing and services activity. The Index remained in expansionary zone and comfortably above its long-run average (55.0)</i></p>	<p>☞ <i>India's services PMI also increased to <b>58.5</b> in Jan'26 from a 11-month low of 58.0 in Dec'25, though revised lower from flash estimates of 59.3. Buoyant demand, faster growth in output and new business along with strong tech investment supported the Services PMI in Jan'26. Respondent firms also suggested that gaining customer interest and stronger online presence helped them drive sales higher.</i></p> <p>The main observations for the month are:</p> <ul style="list-style-type: none"> <li>➤ Among services, finance and insurance saw the strongest growth for both output and new orders.</li> <li>➤ External services demand also improved further with the pace of expansion reaching a 3-month high in Jan'26.</li> <li>➤ Employment picked up in January after remaining subdued in last month, though recruitment remained cautious as many firms felt adequately staffed.</li> <li>➤ Input costs rose fastest in 4 months, but the overall rise was modest. Output price inflation also rose to a 3-month high, and the overall increase was again modest due to better balance cost rises and profitability.</li> </ul>



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

## Outlook:

India's private sector regained momentum in Jan'26 after Composite PMI seeing moderation during Sep-Dec'25. Both manufacturing (55.4) and services (58.5) witnessed an uptick in new orders and output with better job creation prospects. Inflationary pressures on both input and output fronts rose moderately but remained lower than historical standards. Robust domestic demand supported the growth in both the sectors, with external demand showing signs of strengthening.

On manufacturing front, the outlook remains cautiously positive, as business confidence has slipped to three-and-a-half years and capital goods continue to lag due to margin pressures and market uncertainty. With input cost inflation edging up and pricing power still constrained, manufacturers are likely to prioritize efficiency, inventory management and selective capacity utilization over aggressive capex in the near term.

The services sector continues to lead, supported by resilient demand and a revival in hiring, though job creation remains near-stagnant. A major tailwind is the recent US-India trade agreement, which slashed tariffs to 18% from 50% (lower than most of the Asian Peers), and the India-EU FTA, both expected to significantly bolster export competitiveness in 2026.

Overall, the composite PMI points to a growth environment for the Indian economy in 2026 with the sustained domestic demand and moderating external headwinds. However, the price pressures and geopolitical uncertainties remain key monitorable that could test the sustainability of this rebound.

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