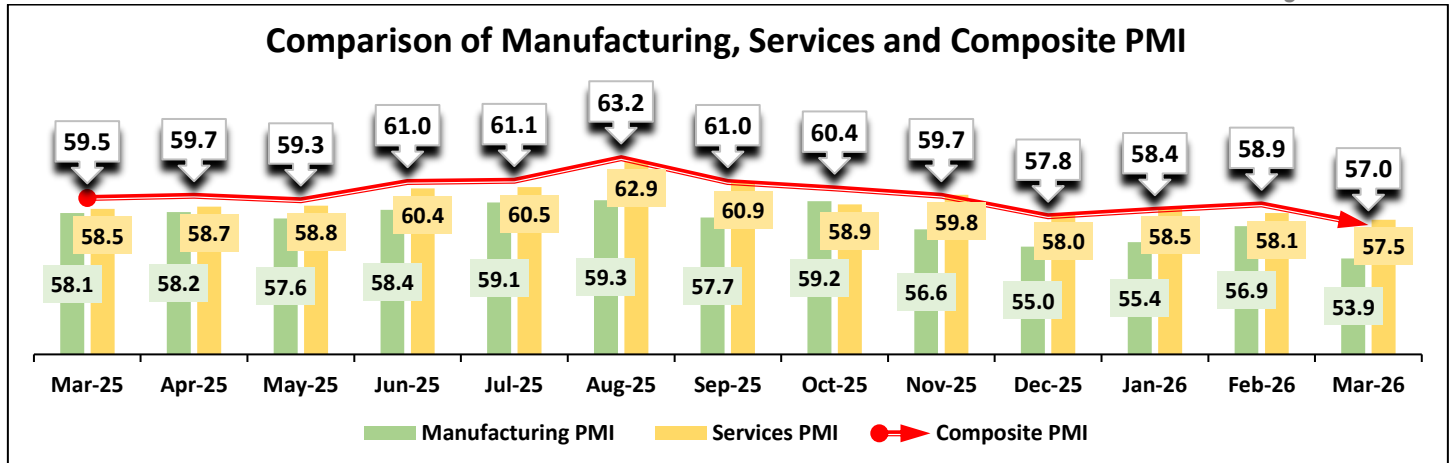


Macro Insights

06th April 2026

Purchasing Managers’ Index (PMI) for March 2026

Manufacturing PMI	Services PMI
<p>☞ HSBC India Manufacturing PMI dropped to 53.9 in Mar’26 from 56.9 in Feb’26, the lowest level since Jun’22 and indicating a moderation in the pace of expansion in factory activity.</p> <p>☞ Despite remaining in expansionary zone (>50), the latest reading signals a loss of growth momentum amid rising cost pressures, market uncertainty, & the adverse impact of war in West Asia.</p> <p>The main observations for the month are:</p> <ul style="list-style-type: none"> ➤ New orders growth and output slowed sharply, posting the weakest expansion since mid-2022, reflecting challenging market conditions and demand headwinds. ➤ Export demand improved, with external sales rising at the fastest pace since Sep’25, supported by broad-based demand from major trading partners. ➤ Production growth moderated, tracking the slowdown in order inflows & increased uncertainty. ➤ Input cost inflation surged, reaching the highest level in over 3.5 years, driven by higher prices of metals, chemicals, fuel & other raw materials. ➤ Output price inflation softened, falling to a 2-year low as firms absorbed rising costs amid competitive pressures. ➤ Employment expanded further, with hiring rising at a 7-month high, supported by inventory building and operational requirements. 	<p>☞ India’s services sector momentum softened further in Mar’26, with the HSBC Services PMI declining to 57.5 from 58.1 in Feb’26, marking the weakest expansion since Jan’25, while remaining well above the long-run average.</p> <p>☞ The moderation reflects softer domestic demand conditions, even as external demand remained strong.</p> <p>The main observations for the month are:</p> <ul style="list-style-type: none"> ➤ New orders growth weakened, reaching its slowest pace since Jan’25, impacted partly by geopolitical conflict & softer domestic demand. ➤ Export demand strengthened, recording one of the fastest expansions in the series history, driven by broad-based global demand. ➤ Employment increased further, with job creation increasing to the highest level since mid-2025. ➤ Input cost inflation accelerated sharply, reaching the highest level in nearly four years, driven by higher food, fuel, transport and labor costs. ➤ Output price inflation rose, with selling charges increasing at a 7-month high as firms partially passed on cost pressures. ➤ Business confidence improved, reaching near a 12-year high, supported by optimism around demand recovery and market conditions.
<p>☞ Composite <i>PMI</i> 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.</p> <p>☞ India’s Composite PMI declined to 57.0 in Mar’26 from 58.9 in Feb’26, indicating the slowest expansion in private sector activity in nearly 3.5 years. The moderation was broad-based, with both manufacturing and services sectors witnessing softer growth in output and new orders.</p>	



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

Outlook:

India’s private sector activity moderated in Mar’26, though it continues to remain in expansionary zone (above 50). The moderation was broad-based across sectors, with a sharper deceleration visible in manufacturing, while services activity also softened for the second consecutive month.

Softer domestic demand conditions outweighed improvement in external demand that resulted in slower new orders growth across both sectors. Manufacturing activity was particularly impacted by heightened market uncertainty, cost pressures and supply chain disruptions linked to the West Asia conflict. In the services sector, economic activity growth eased to a 14-month low affected by geopolitical developments and softer market sentiment.

On the price front, pressures intensified significantly in Mar’26, with input cost inflation rising sharply across both sectors to multi-year highs. Services firms reported the fastest increase in input costs in nearly 4 years, while manufacturing input prices rose at the steepest pace since Aug’22.

However, pricing power diverged across sectors services firms were able to pass on higher costs, leading to stronger output price inflation, whereas manufacturers largely absorbed cost pressures, resulting in subdued output price increases amid competitive pressures.

The near-term outlook remains cautiously optimistic but increasingly dependent on external developments. While business confidence has strengthened in services and improving in manufacturing, risks remain tilted towards global uncertainties, elevated input costs, and supply chain disruptions.

Nonetheless, India’s underlying domestic fundamentals, steady investment activity, and improved external demand are expected to continue supporting business activity in Q1 FY27.

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