Macro Insights

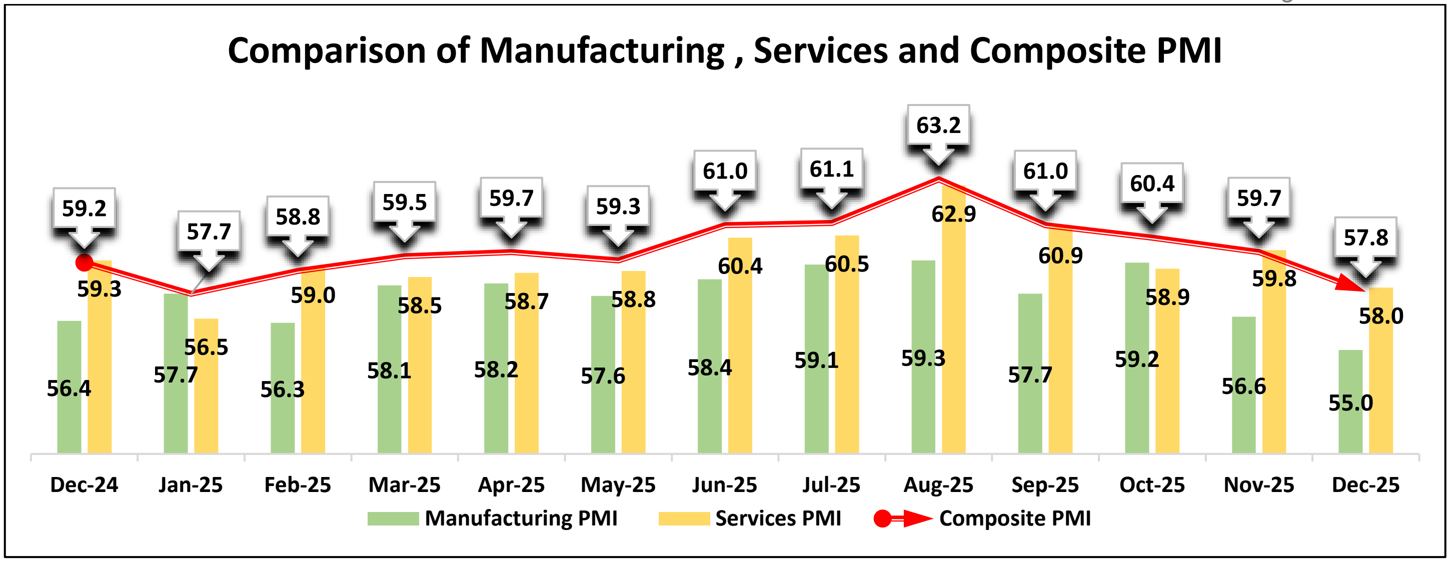
06th January 2026

Purchasing Managers' Index (PMI) for December 2025

Manufacturing PMI	Services PMI
☞ *HSBC India Manufacturing PMI further moderated to **55.0 in Dec'25,** revised lower from flash estimates of 55.7 and down from 56.6 in Nov'25, marking the slowest expansion in since Dec'23 (54.9) or in last 2 years.* *Strong demand kept driving notable gains in new orders and output, though growth slowed due to tougher competition and weaker sales of certain products. However, overall conditions remained expansionary (above 50) and the sector remained above its long-run average.* The main observations for the month are: ➢ New orders rose at the weakest rate since Dec'23, and output levels at the slowest pace since Oct'22. ➢ Exports grew at their slowest pace in 14 months, with most fresh orders originating from Asia, Europe, and the Middle East. ➢ Factory employment rose only marginally in Dec'25, reflecting sufficient staffing amid easing workloads. ➢ Input cost inflation remained subdued, while output price inflation dropped to its lowest level in nine months. ➢ Business confidence softened to its lowest in nearly three-and-a-half years.	☞ *India's services PMI moderated but continued its strong momentum in Dec'25, falling to 58.0, revised lower from flash estimates of 59.1 and 59.8 in Nov'25.* *In Dec'25, the services sector recorded its weakest expansion since Jan'25, with both new business and output slipping to 11-month lows. On the other hand, export orders climbed sharply, advancing at a faster rate than in Nov'25.* The main observations for the month are: ➢ Firms stayed optimistic about future growth, yet overall confidence slipped to its lowest level in almost three and a half years. ➢ Regarding external demand, surveyed firms reported further improvement, highlighting notable gains from Asia, North America, the Middle East, and the UK. ➢ Employment declined slightly, as most firms (96%) indicated no change since Nov'25. ➢ Input costs rose moderately in Dec'25, faster than in Nov'25 but remaining below the long-term trend. ➢ Output price inflation remained weak with fewer than 3% of surveyed firms raising their fees.

☞ 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 eased to **57.8** in Dec'25 from **59.7** in Nov'25, marking 11 months low, on account of slowdown in both manufacturing and services activity. Nevertheless, it remained in expansionary zone and comfortably above its long-run average (55.0).*



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

Outlook:

India's private sector continued to see strong activity in December 2025, despite moderation in the pace of expansion experienced by both manufacturers (relatively higher) and service providers due to softer growth in new orders. However, the domestic demand remained resilient, supporting ongoing, though slower, growth in new orders across both sectors.

External demand showed a mixed picture with service export orders picking up from their November low, while manufacturing export orders grew at the slowest rate in 14 months, reflecting ongoing global competition. Additionally, the weaker rupee potentially enhancing the competitiveness of Indian exports.

Inflationary pressures remained relatively benign, as private sector saw modest rises in both input costs and output charges, with inflation rates remaining broadly aligned and still below their long-term averages.

Going ahead, the outlook for early 2026 suggests sustained growth at a modest pace as firms remained optimistic towards growth, with benign inflation providing a key tailwind to remain competitive and support sales. Resilient domestic demand is expected to drive economic activity momentum. However, headwinds persist in the form of market uncertainty, exchange rate fluctuations, and global competition, which have collectively weighed on business confidence that declined for the third consecutive month, reaching its lowest level in over three years.

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

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