Macro Insights

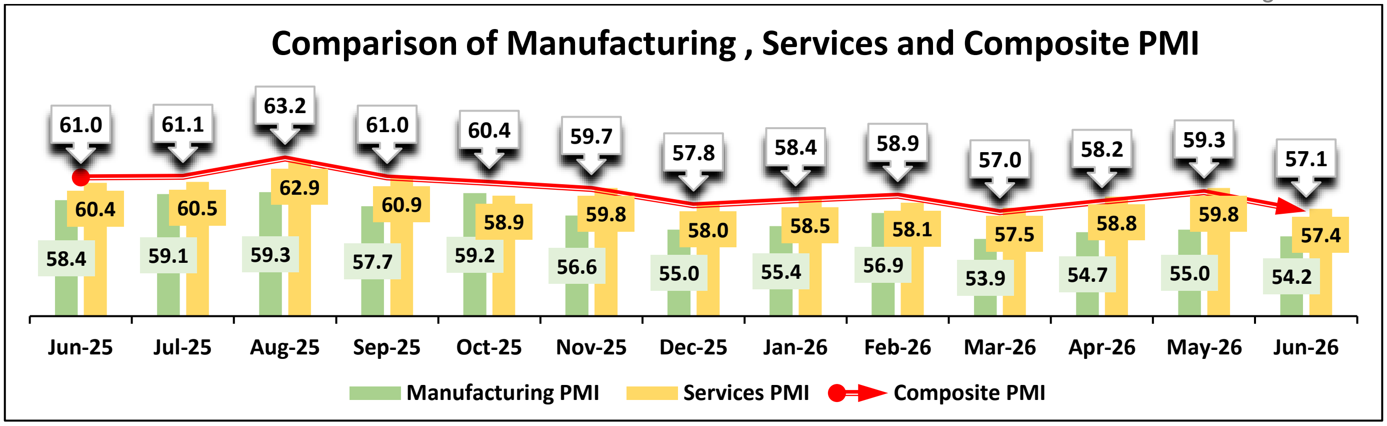
03rd July 2026

Purchasing Managers' Index (PMI) for June 2026

Manufacturing PMI	Services PMI
☞ *India's Manufacturing PMI eased to **54.2 in Jun'26 from 55.0 in May'26**, its second-weakest expansion level since Jun'22 (after 53.9 in Mar'26) indicating that manufacturing activity continued to expand but at a slower pace.* ☞ *While the sector remained firmly in growth territory, the latest reading reflected a cooling in demand momentum (as new orders growth slowed), easing export growth and softer pricing pressures.* The main observations for the month are: ➢ New orders growth moderated, with the pace of expansion among the weakest seen in four years (excluding Mar'26), reflecting subdued client demand and intense market competition. ➢ Export demand softened further, recording the weakest increase since Mar'23, particularly due to weaker sales to some European markets. ➢ Input cost inflation moderated, falling to the lowest level since Feb'26, aided by easing geopolitical disruptions, though prices of chemicals, metals, petroleum products & other industrial inputs continued to rise. ➢ Output price inflation softened, reaching a 3-month low as manufacturers became increasingly reluctant to pass on costs amid weaker demand conditions. ➢ Employment growth slowed, registering the weakest pace of hiring in 2026 so far as capacity pressures remained limited. ➢ Input purchases and inventory accumulation weakened, while finished goods inventories contracted as firms aligned production and stock levels more closely with prevailing demand conditions.	☞ *India's Services PMI **declined to 57.4 in Jun'26 from 59.8 in May'26**, marking the lowest reading in 17 months, as softer domestic demand and reduced client interest weighed on business activity.* ☞ *Although the growth momentum weakened considerably, services sector remained firmly in expansion territory i.e. higher than 50.0.* The main observations for the month are: ➢ New orders expanded at the slowest pace in over 2.5 years, reflecting more challenging market conditions and softer domestic demand. ➢ Export demand strengthened, with new export orders rising at the fastest pace in three months and providing support to overall activity. ➢ Employment growth stalled, as firms broadly paused hiring after strong recruitment in April and May 2026. ➢ Input cost inflation eased, falling to a five-month low amid moderation in fuel, transportation and other cost pressures. ➢ Output price inflation softened further, reaching the weakest pace since November 2025 and remaining below its long-run average. ➢ Business confidence weakened, falling to a five-month low as firms cited competition, challenging economic conditions and rupee depreciation as potential risks to future growth.

☞ *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 57.1 in Jun'26 from 59.3 in May'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 Jun'26, but the strong growth momentum witnessed during April and May 2026 has begun to normalize. Growth moderated across manufacturing and services, with most visible in the services sector, as new business growth slowed to its weakest pace in over 2.5 years.

Manufacturing activity also lost momentum in Jun'26, with growth in output and new orders among the weakest seen in 4 years. Overall, it reflects softer domestic demand conditions, weaker order inflows and a more cautious business environment. However, activity levels continue to remain well above the neutral mark of 50.0, suggesting that the underlying growth trajectory of the economy remains resilient.

A notable positive development during the month was the continued moderation in inflationary pressures. Input cost and output price inflation eased across both sectors as supply disruptions linked to the Middle East conflict began to recede. The softening of pricing pressures aligns with the broader trend of easing commodity and energy market volatility and may provide greater flexibility for monetary policy going forward. At the same time, firms remained cautious in passing on costs, reflecting competitive market conditions and softer demand.

The near-term outlook remains moderately positive, supported by strong domestic fundamentals, sustained govt. capex, healthy corporate and banking sector balance sheets along with resilient services exports. However, the PMI is anticipated to be less buoyant than in recent months due to emerging headwinds from deficient rainfall (El Nino), softer domestic demand, heightened competition, slower hiring intentions and weakening business confidence. Concerns around global growth, trade uncertainty, exchange-rate volatility and uneven external demand could continue to influence business sentiment in the coming months.

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

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