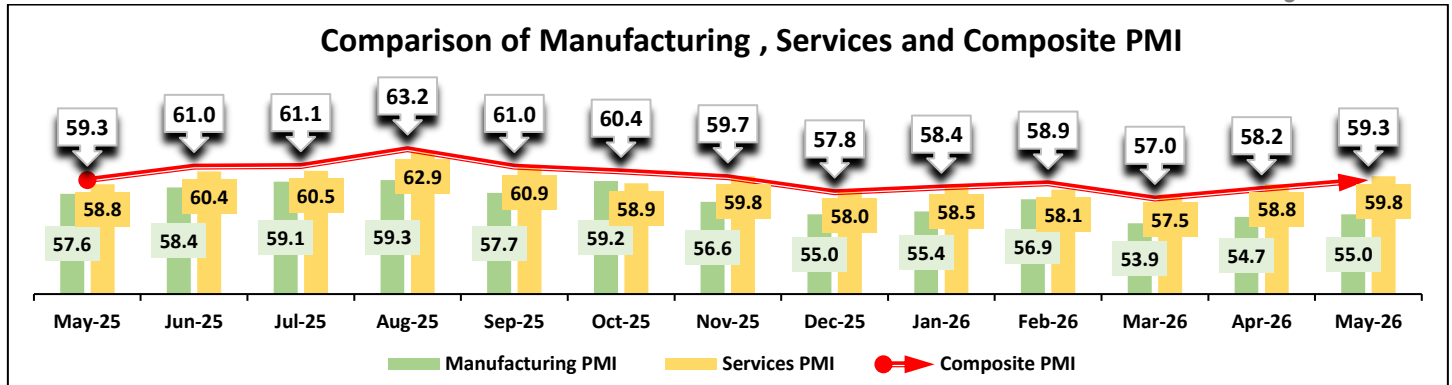


# Macro Insights

03<sup>rd</sup> June 2026

## Purchasing Managers’ Index (PMI) for May 2026

Manufacturing PMI	Services PMI
<p>☞ <i>India’s Manufacturing PMI increased to <b>55.0 in May’26 from 54.7 in Apr’26</b>, indicating a strengthening in manufacturing sector conditions and marking the strongest improvement in 3 months.</i></p> <p>☞ <i>The expansion was primarily driven by resilient domestic demand, higher output levels and increased stock-building activity amid persistent geopolitical uncertainties.</i></p> <p>The main observations for the month are:</p> <ul style="list-style-type: none"> <li>➤ New orders and production growth rose at the fastest pace since Feb’26, supported by stronger order inflows largely from domestic demand and infrastructure-related activity.</li> <li>➤ Export growth softened in May’26, with international sales expanding at a healthy pace, with demand from Asia, Europe, Africa and the Middle East.</li> <li>➤ Input cost pressures remained elevated, with prices of energy, fuel, transportation and raw materials continuing to rise amid the Middle East crisis.</li> <li>➤ Output price inflation softened in May’26, as competitive pressures limited firms’ ability to fully pass on higher costs, pointing towards margin compression.</li> <li>➤ Employment expanded at a solid pace, although hiring moderated from Apr’26 levels.</li> <li>➤ Purchasing activity and inventory accumulation increased sharply, reflecting precautionary stockpiling of intermediate goods and efforts to ensure supply-chain resilience amid continued uncertainty.</li> </ul>	<p>☞ <i>India’s services sector witnessed a further strengthening in growth momentum during May’26, with the HSBC Services PMI rising to <b>59.8 from 58.8 in Apr’26</b>, marking the strongest expansion since Nov’25.</i></p> <p>☞ <i>Strong demand for freight, IT services, digital solutions, e-commerce &amp; entertainment services supported the upturn in activity and new business.</i></p> <p>The main observations for the month are:</p> <ul style="list-style-type: none"> <li>➤ New orders increased at the fastest pace in six months, indicating a sustained improvement in underlying demand.</li> <li>➤ Export demand in May’26 improved from Apr’26 levels, although growth remained below the average pace witnessed during 2025.</li> <li>➤ Employment in services rose in May’26 with 7% of firms surveyed hiring staff while 93% of firms kept it constant, still it was second-fastest rise in nearly one year.</li> <li>➤ Input cost inflation eased to a 4-month low, though costs remained elevated due to higher food, fuel, labor and material expenses.</li> <li>➤ Output price inflation moderated, with selling charge inflation softening to a 4-month low and broadly aligning with historical averages.</li> <li>➤ Business confidence remained positive, supported by expectations of favorable demand conditions, though optimism eased marginally from recent highs.</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 increased to 59.3 in May’26 from 58.2 in Apr’26, extending the recovery from the Mar’26 slowdown and indicating the strongest pace of private sector activity growth in six months. The improvement was supported by stronger expansions in both manufacturing and services activity, accompanied by a broad-based acceleration in demand conditions.</i></p>	



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

## Outlook:

India’s private sector activity momentum strengthened further in May’26, with both manufacturing and services sectors witnessing a broad-based strengthening in output and demand conditions supported by resilient domestic demand, improving business conditions and sustained rise in employment.

Services sector witnessed the higher increase, where activity and new business growth accelerated to six-month highs, driven by robust demand for IT services, digital solutions, freight, e-commerce and entertainment-related activities. Manufacturing activity also strengthened, supported by infrastructure spending, healthy domestic demand and increased inventory accumulation, while manufacturers continued precautionary stock-building amid unresolved geopolitical tensions in the Middle East.

On the price front, the rate of input cost inflation moderated in both sectors (higher in manufacturing than in services) from high levels recorded in Apr’26, although it remained significantly above historical averages due to higher energy, fuel, transportation and labor costs.

At the same time, firms displayed limited pricing power, particularly in manufacturing, where competitive pressures constrained output price increases and pointed towards some compression in profit margins. The easing in selling price inflation across the private sector may offer some comfort from a broader consumer price inflation perspective.

The near-term PMI outlook remains cautiously positive supported by strong domestic demand, ongoing infrastructure investments, healthy order pipelines and employment trends. However, geopolitical developments in the Middle East, supply-chain disruptions and elevated input costs remain key risks to the growth outlook. Encouragingly, business sentiment across both sectors remains positive though it dropped for the second consecutive month, reflecting expectations of favourable demand conditions and improved market opportunities in the months ahead.

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