

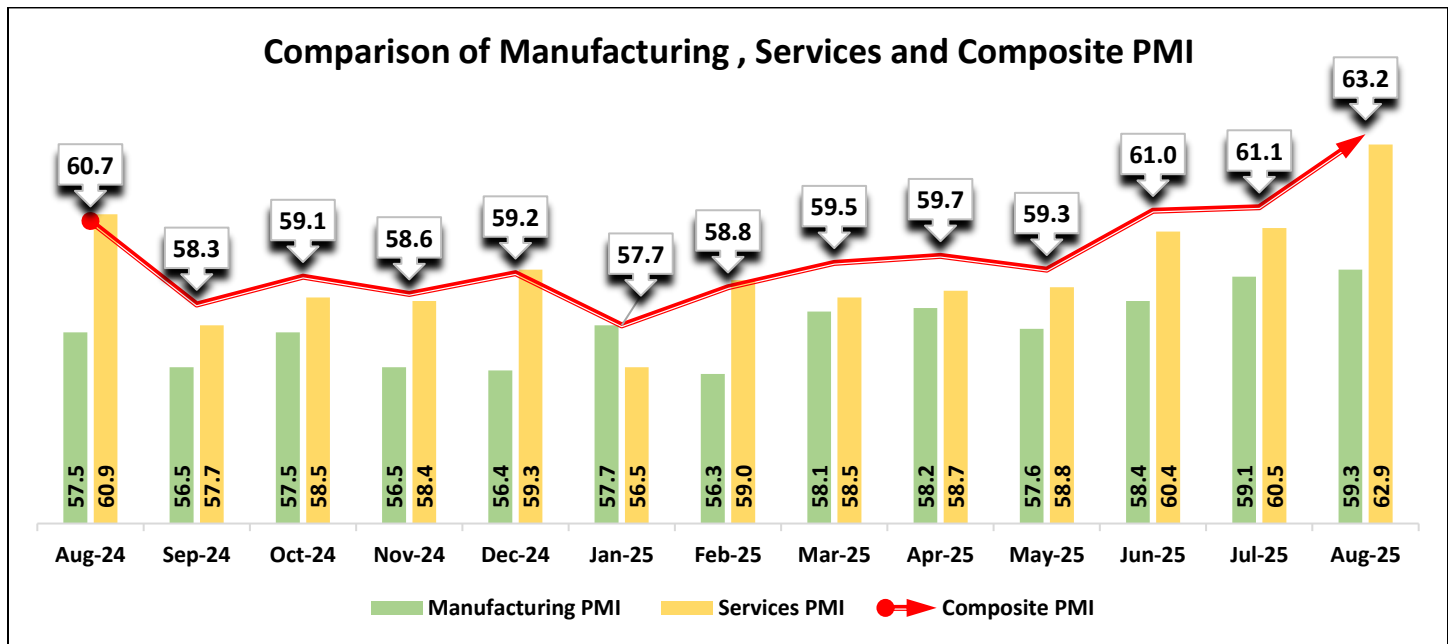
## Macro Insights

04<sup>th</sup> September 2025

### Purchasing Managers' Index (PMI) for August 2025

Manufacturing PMI	Services PMI
<p>☞ <b>The HSBC India Manufacturing Purchasing Managers' Index (PMI) climbed to 59.3 in August from 59.1 in July, indicating the “fastest improvement in operating conditions for 17-and-a-half years. The main observations for the month are:</b></p> <ul style="list-style-type: none"> <li>➤ Indian manufacturing growth gained further momentum in August, with ongoing improvements in demand continuing to underpin robust increases in factory orders and production.</li> <li>➤ Companies upped the pace at which additional materials were bought, and more jobs were created, partly reflecting positive expectations regarding the outlook.</li> <li>➤ Input stocks rose again, while finished goods inventories expanded for the first time in nine months. Meanwhile, subdued cost pressures compared with a marked upturn in selling charges.</li> <li>➤ The upward movement in the headline figure largely reflected an acceleration in growth of production volumes.</li> <li>➤ The strongest sales and output performances were noted in the intermediate goods category, followed by capital and then consumer goods.</li> <li>➤ Underlying data showed a softer increase in international orders placed with Indian manufacturers. The rise was the weakest for five months, though sharp by historical standards.</li> </ul>	<p>☞ <b>India's services sector expanded at its fastest pace in 15 years in August 2025, with the HSBC India Services Purchasing Managers' Index (PMI) rising to 62.9 from 60.5 in July 2025. The main observations for the month are:</b></p> <ul style="list-style-type: none"> <li>➤ The Indian service economy benefited from a substantial improvement in demand during August, which pushed growth of new orders and activity to their highest rates in over 15 years.</li> <li>➤ Robust job creation in recent months meant that companies had sufficient capacity to cope with current requirements. Outstanding business increased only marginally, and there was a modest uptick in employment.</li> <li>➤ Amid reports of higher salaries awarded to workers and overtime payments, business expenses rose further.</li> <li>➤ Demand buoyancy, efficiency gains and greater inflows of new business were some of the reasons firms gave for the upturn.</li> <li>➤ Not only did new orders expand for the forty-ninth straight month in August, but also to the greatest degree in over 15 years.</li> <li>➤ Aiding the rise in total sales was a pick-up in growth of new export orders. The rate of expansion in international sales was the third-strongest seen since the question was added to the survey in September 2014.</li> </ul>

- India’s Composite PMI rose to 17 years high of 63.2 in August from 61.1 in July 2025, indicating broad based economic momentum across both segments of the India’s economy.



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

## Outlook:

Both the manufacturing and services sectors recorded exceptionally strong performances in August 2025, with PMI readings reaching multi-year highs. The historic surge in the services PMI highlighted the sector’s robust expansion, mirroring similar momentum observed in manufacturing. This acceleration was underpinned by sustained domestic demand, rising new orders, and healthy job creation, signaling broad-based economic resilience and optimism across India’s business landscape.

However, the positive momentum could face significant headwinds from the United States’s imposition of 25% tariff and an additional 25% penalty tariff on Indian exports. Such a sharp increase in trade barriers would likely dampen the growth of international sales, which has been a crucial driver behind recent expansions in both the manufacturing and services sectors. Export-oriented businesses may encounter reduced demand from their largest overseas market, forcing firms to re-evaluate production targets and potentially slow hiring.

The services sector, buoyed by strong domestic demand, might remain somewhat insulated but could eventually feel indirect effects from a slowdown in goods-producing industries, especially in logistics, finance, and IT segments tied to the export economy. Yet, while the imposition of a steep tariff would pose a formidable challenge, Indian firms have shown adaptability in the face of global disruptions. Diversification of export markets, increased focus on domestic consumption, and operational efficiency may help buffer the impact.

Further, the proposed simplification of the Goods and Services Tax (GST) to two rates is poised to offer substantial support to both the manufacturing and services sectors. By streamlining the existing tax structure into a more transparent and predictable regime, businesses will benefit from reduced compliance burdens and greater ease in planning investments. Additionally, the twin-rate system is

expected to encourage greater formalization of economic activities, broadening the tax base and fostering a level playing field for enterprises of all sizes. The lowering of GST on various goods and services will also boost consumption in the coming months, further supporting the momentum in Manufacturing and Services sector.

Over time, these reforms will help reduce costs, improve competitiveness, and stimulate job creation across the economy. As companies navigate evolving global challenges, the GST simplification will serve as a stabilizing force, reinforcing India's attractiveness as an investment destination and bolstering its broader growth trajectory.

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