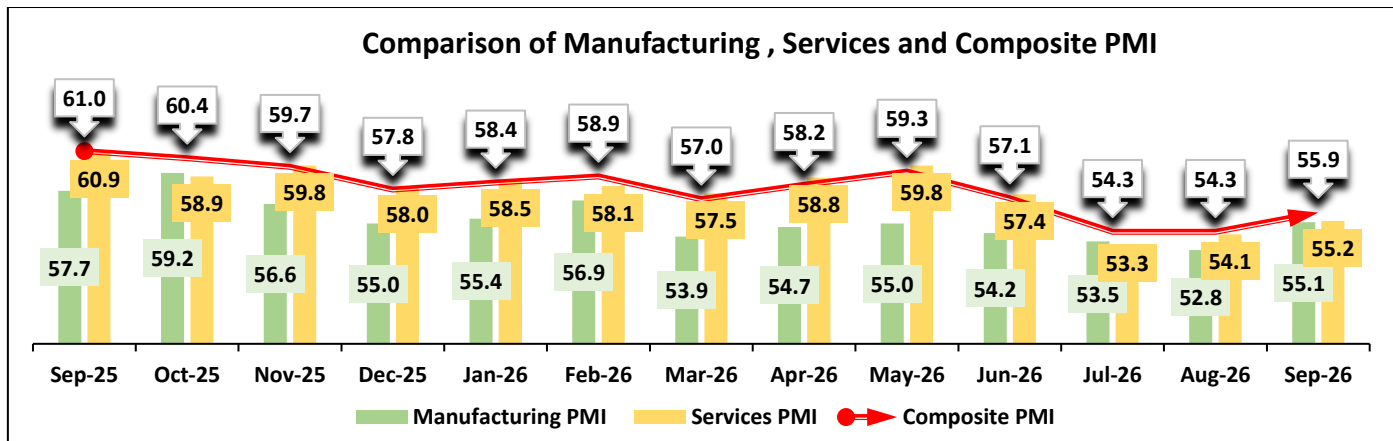


Macro Insights

6th October 2026

Purchasing Managers' Index (PMI) for September 2026

Manufacturing PMI	Services PMI
☞ HSBC India Manufacturing PMI rose sharply to 55.1 in Sep'26 from 52.8 in Aug'26, signalling a strong recovery in manufacturing momentum. It showed the highest improvement in the past 7 months, supported by faster growth in new orders and output. ☞ However, the average for Q2 FY27 stood at 53.8, lowest for the corresponding period since Q2 FY22. The main observations for the month are: ➤ New business growth accelerated to its fastest pace in 7 months, driven by stronger demand for electronics, food, pharma and textile products. ➤ New export orders also expanded at a faster pace, with manufacturers reporting stronger demand from Brazil, Europe, the UAE and the US, indicating a broad-based improvement in external demand. ➤ Output growth reached a 4-month high on demand pickup. Intermediate goods emerged as the strongest-performing segment, while capital goods recorded only modest growth. ➤ Input cost inflation accelerated from last month, reflecting higher prices of electronic components, pharma items and steel. Nevertheless, the rate of cost inflation remained below its long-run average. ➤ Manufacturers raised selling prices at a faster pace in Sep'26 with highest rise recorded among consumer goods producers. Although the increase remained modest and below the historical trend. ➤ Employment growth resumed in Sep'26 after contracting last month, pace of job creation was fastest since May'26, due to stronger production. ➤ Input purchasing growth rose sharply at 7 months high, while finished goods inventories increased for the third consecutive month in a row.	☞ India's services sector continued to expand in Sep'26, with the HSBC Services PMI rising to 55.2 from 54.1 in Aug'26, regaining growth momentum towards the end of the quarter, supported by stronger sales and new business. ☞ However, the average growth of 54.2 during Q2 FY27 remained the weakest since Q4 FY22. The main observations for the month are: ➤ New business expanded at the fastest pace in past 3 months, indicating a strengthening of domestic demand and improved order flows during Sep'26. ➤ Export demand improved, with gains reported from Germany, the UAE, the UK and the US. However, pace of growth in new export orders eased to a moderate level, slowest in nearly 3 years, implying that domestic demand remained the stronger driver of the Sep'26 recovery. ➤ Service providers continued to add workers in response to improving order books and projects in the pipeline. However, the pace of employment growth eased from last month, largely due to softer hiring in real estate and business services. ➤ Input cost inflation slowed to its weakest level since Nov'25. The moderation was broad-based across all four service categories. ➤ Output price inflation also moderated, with the overall rate of charge inflation easing to its least pronounced level since Jun'26. ➤ Business confidence improved in Sep'26, reaching a 3-month high. Firms remained optimistic about future demand and customer enquiries, although confidence continued to remain subdued by historical standards.
☞ The Composite PMI rose to 55.9 in Sep'26, marking the strongest expansion in Q2 FY27. The reading indicated a simultaneous strengthening in both manufacturing and services, with stronger new orders supporting higher aggregate output and renewed employment growth. The simultaneous easing of input cost and output price inflation is also supportive of the sustainability of the expansion.	



Source: HSBC India, S&P Global

Outlook:

The PMI in Sep'26 points to a recovery in near-term after the moderation witnessed during Jul-Aug'26. It was supported by stronger new orders, employment and inventory accumulation, suggesting that the recovery was not merely supply-driven but reflected a broadening in demand conditions.

The improvement is also accompanied by a more benign near-term inflation signal. Services input-cost inflation fell to a 10-month low and manufacturing input-cost inflation did accelerate in Sep'26 but remained below its long-run average. Thus, at the aggregate level, cost pressures have not yet translated into significant pricing power.

It provides some cushion to consumption and business margins temporarily, although the recent rise in crude oil prices and rupee depreciation could alter this trend.

The external sector remains the key risk to the outlook. While manufacturing export orders improved, services export growth slowed to its weakest pace in nearly three years.

At the broader macro level, the elevated crude prices, tighter global financial conditions, geopolitical tensions and trade uncertainty could weigh on India's growth and capital flows. The rupee has also come under renewed pressure, trading close to its earlier record low amid elevated US yields, higher oil prices and foreign portfolio outflows.

The near-term outlook remains cautiously positive supported resilient domestic demand, stronger manufacturing orders and a recovery in services activity. The Finance Ministry's Sep'26 Monthly Economic Review estimates Q2 FY27 GDP growth at 7.3%, following the stronger-than-expected 7.8% growth in Q1, suggesting that the economy has retained considerable underlying momentum despite some moderation in high-frequency indicators.

Going forward, domestic consumption and investment should remain the principal growth anchors, while high crude prices, rupee weakness, tighter global financial conditions and softer external demand constitute the major downside risks.

Disclaimer: The opinion/information expressed/compiled in this note is of Bank's Research team and does not reflect opinion of the Bank or its Management or any of its subsidiaries. The contents can be reproduced with proper acknowledgement to the original source/authorities publishing such information. Bank does not take any responsibility for the facts/ figures represented in the note and shall not be held liable for the same in any manner whatsoever.

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

Follow our Official Page - www.pnbindia.in