Economic Intelligence Cell

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# Macro Insights

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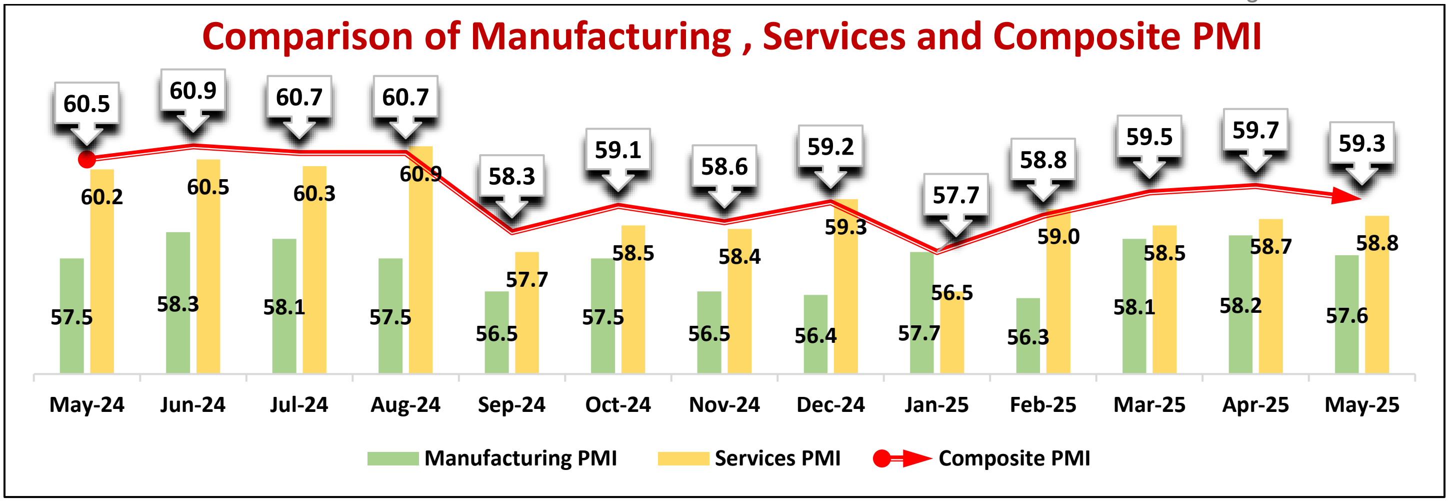
**Purchasing Managers' Index** or **PMI** is an economic indicator, which is derived after monthly surveys of different companies. The index shows trends in both the manufacturing and services sectors. The index helps in determining whether the market conditions, as seen by purchasing managers, are expanding, contracting or staying the same. It is used to provide information regarding the current and future business conditions. PMI values range between 0 and 100, with a reading above 50 indicating expansion compared to the previous month and below 50 indicating contraction.

| **Manufacturing PMI** | **Services PMI** |
| --- | --- |
| ☞ *The manufacturing PMI hit a three-month low with a reading of **57.6**, which was mainly due to contraction in new orders and output, despite strong demand. The main observations for the month are:*<br>➢ Employment reached a record high, and input purchasing stayed strong, though it slowed slightly from April.<br>➢ Backlogs remained steady, breaking a six-month accumulation streak.<br>➢ Supply chain performance improved, with lead times shortening to the greatest extent in four months.<br>➢ Input cost inflation hit a six-month high, prompting firms to sharply raise selling prices.<br>➢ Business confidence remained stable, backed by marketing activities and inquiries from new clients | ☞ *India's service sector* showed a slight improvement *to* ***58.8*** *from April's 58.7. This was primarily supported by robust growth in output and new orders. The main observations for the month are:*<br>➢ The expansion rate was significantly higher than its historical average.<br>➢ International sales experienced growth, particularly from the Asian market.<br>➢ Several companies reported that inventory was utilized to satisfy increasing sales demands, leading to the most rapid decline in finished goods stocks over three years.<br>➢ Business expectations remained positive, with approximately 30% of survey participants anticipating increased output volumes in the upcoming year. |

***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 decreased to **59.3** from April 59.7, due to softer growth of factory production.*




*Source: HSBC India, S&P Global, EIC PNB*

## Outlook:

The outlook for India's PMI values remains positive, with strong demand and robust growth in new orders and output expected to continue. However, geopolitical tensions and inflationary pressures may present challenges to sustained growth. Risks such as conflicts and trade tensions can increase input costs and inflation, potentially forcing companies to raise prices and thus reducing demand, which could negatively affect the PMI. Geopolitical events may also cause fluctuations in currency exchange rates, impacting export competitiveness and influencing the PMI. For instance, tensions in the Middle East can drive up oil prices, increasing costs for energy-dependent industries and affecting their PMI readings.

Looking ahead, both manufacturing and service sectors are poised for transformation as a confluence of domestic demand and international dynamics shapes operational strategies. Companies will likely adapt by investing in technology, optimizing supply chains, and enhancing customer engagement to remain competitive in an evolving marketplace. Continued growth in export opportunities, particularly from thriving Asian markets, may further drive expansion, while firms also address challenges such as rising input costs and inventory management. Altogether, these factors signal a period of strategic adjustment and innovation within the industry landscape.

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