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Still Growing, Just Slower: Reading the PMI at a Five-Year Low

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Every fact web-verified against primary sources

> *The HSBC India Manufacturing Purchasing Managers' Index, compiled by S&P Global, eased to 53.5 in July 2026 from 54.2 in June, released on August 3, 2026. It is the weakest reading in nearly five years, since August 2021, while remaining above the 50 mark for a 57th consecutive month.*

THE NUMBERS

PARAMETER	VALUE
July 2026 Manufacturing PMI	**53.5**
June 2026	54.2
Flash estimate for July	53.9
Weakest since	**August 2021**
Consecutive months above 50	**57**
Compiled by	**S&P Global** for HSBC
Panel size	Approximately **400 manufacturers**
Input cost inflation	Eased to a **five-month low**

THE CONCEPT THAT MAKES THIS ITEM WORTH STUDYING

The PMI is a **diffusion index**, and misreading it is one of the most common errors in economic commentary.

A diffusion index does not measure the *level* of activity or the *rate* of growth. It measures the **proportion of respondents reporting improvement versus deterioration**, converted to a 0-100 scale where 50 is the no-change point.

READING	WHAT IT MEANS
Above 50	A majority of surveyed firms report **expansion** relative to the previous month
Exactly 50	No change
Below 50	A majority report **contraction**
Falling but above 50	Still expanding, but **fewer firms** are reporting expansion than before, so growth is **decelerating, not reversing**

This is why "PMI at a five-year low" and "manufacturing has expanded for 57 straight months" are both accurate descriptions of the same number. The index fell, so momentum slowed; it stayed above 50, so output still grew. A candidate who writes that a falling PMI above 50 indicates contraction has made a conceptual error, and it is a favourite examiner trap.

WHAT DROVE THE SLOWDOWN

COMPONENT	DIRECTION
Domestic demand	Softer, the principal drag
Output	Slower growth
New orders	Slower growth
Hiring	Slower growth
Export orders	**Strengthened**, with demand reported from Canada, Egypt, Indonesia, Kenya, Nepal, South Africa, Thailand and the UAE
Input costs	Inflation eased to a five-month low

The composition matters more than the headline. Domestic demand cooling while export orders strengthen describes an economy whose manufacturing momentum is becoming **more externally dependent**, which is a different situation from broad-based weakness and calls for a different policy response.

PMI AGAINST INDIA'S OTHER ACTIVITY INDICATORS

INDICATOR	NATURE	TIMING
PMI	Survey-based **leading** indicator; sentiment and orders	Released within days of month-end
Index of Industrial Production (IIP)	Volume-based **lagging** indicator of actual output	Released with roughly a six-week lag
GVA in manufacturing	Value-added measure in the national accounts	Quarterly, with a longer lag

The PMI's value is timeliness: it signals turning points before the IIP confirms them. Its limitation is that it captures direction rather than magnitude, so a PMI reading cannot be converted into a growth rate.

UPSC RELEVANCE

GS Paper 3: Indian economy, growth and development; industrial policy; effects of liberalisation; issues relating to planning and mobilisation of resources.

Prelims pointers:

- July 2026 Manufacturing PMI: **53.5**, down from **54.2** in June; weakest since **August 2021**; **57th** consecutive month above 50.
- The PMI is a **diffusion index**: 50 is the no-change threshold; above 50 means expansion, and a falling figure above 50 means **slower expansion, not contraction**.
- Compiled by **S&P Global** for HSBC from a panel of about **400 manufacturers**.
- The PMI is a **leading** indicator; the **IIP** is a lagging, volume-based one.

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JULY 2026 MANUFACTURING PMI:

- 53.5, from 54.2 in June; flash estimate had been 53.9.
- Weakest since August 2021; 57th straight month above 50.
- Compiled by S&P Global for HSBC; panel of about 400 manufacturers.

THE DIFFUSION-INDEX POINT: THE PMI MEASURES THE SHARE OF FIRMS REPORTING IMPROVEMENT, NOT THE LEVEL OR RATE OF OUTPUT. ABOVE 50 IS EXPANSION; A FALLING READING ABOVE 50 MEANS EXPANSION IS SLOWING, NOT REVERSING.

COMPOSITION: DOMESTIC DEMAND SOFTENED WHILE EXPORT ORDERS STRENGTHENED, WITH DEMAND REPORTED FROM CANADA, EGYPT, INDONESIA, KENYA, NEPAL, SOUTH AFRICA, THAILAND AND THE UAE. INPUT COST INFLATION EASED TO A FIVE-MONTH LOW.

LEADING VERSUS LAGGING: PMI IS SURVEY-BASED AND TIMELY; THE IIP IS VOLUME-BASED AND LAGS BY ABOUT SIX WEEKS.

Sources: S&P Global, Ministry of Statistics and Programme Implementation, Business Standard

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