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Still Above Fifty, Barely: Services PMI at a 53-Month Low

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CURATED & WRITTEN BY

Bharat Choudhary

UPSC Educator & Content Creator

linkedin.com/in/epicbharat

Still Above Fifty, Barely: Services PMI at a 53-Month Low

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Every fact web-verified against primary sources

> *The HSBC India Services PMI Business Activity Index, compiled by S&P Global, fell to 53.3 in July 2026 from 57.4 in June, released on August 5, 2026. It is the weakest expansion in 53 months, since February 2022, though still above the 50 no-change mark. The HSBC India Composite PMI Output Index fell to 54.3 from 57.1, an over four-year low.*

THE NUMBERS

INDEX	JULY 2026	JUNE 2026
Services PMI (Business Activity)	**53.3**	57.4
Composite PMI (Output)	**54.3**	57.1
Manufacturing PMI	53.5	54.2
Services flash estimate for July	53.1, revised **up** to 53.3 final	

*Two comparator traps. The July manufacturing figure of 53.5 came against a **flash of 53.9** and a **June reading of 54.2**; the flash and the June figure are routinely conflated. And 53.1 for services was the **flash estimate**, not a market forecast: the final print revised it upward. The Reuters poll median had been **57.7 for the composite**, against an actual 54.3, which is the more striking miss.*

DETAIL	READING
Weakest services reading since	**February 2022**, that is 53 months
New business	Slowest growth since February 2022
New export orders	**Still positive**, with demand credited to the **UAE, the UK and the US**
Employment	Modest improvement, but only about **6 per cent** of firms reported higher payrolls against **92 per cent** reporting no change
Output prices	Rose at the fastest rate since April

READING THE COMPOSITE CORRECTLY

A point candidates routinely get wrong: the **Composite PMI is not the average of the Manufacturing and Services PMIs**. It is a **weighted average of manufacturing output and services business activity**, weighted by each sector's contribution to gross value added. Since services dominate that weighting, the Composite tracks services closely, and why it fell 2.8 points when services fell 4.1 and manufacturing eased only 0.7.

The diffusion-index logic is the same as for manufacturing. A reading of 53.3 means a majority of surveyed firms reported higher activity than in the previous month, so services **expanded**. The fall from 57.4 means **fewer firms** reported expansion, so the expansion **decelerated sharply**. A falling reading above 50 is slower growth, not contraction, and this is the single most common error in commentary on PMI releases.

WHY FIRMS SAID ACTIVITY SLOWED

Panellists cited **fierce competition, fading demand, softer market conditions and postponed orders**. Pranjul Bhandari, Chief India Economist at HSBC, described the sector as continuing to expand at a slightly slower pace as new business growth eased in **both domestic and export markets** after several months of strong performance.

Two features of the composition are worth noting.

Export orders held up. New export business remained in expansion, with firms crediting demand from the UAE, the UK and the US. That mirrors the manufacturing pattern reported for July, in which domestic demand softened while export orders strengthened, and it points toward India's services growth becoming **more externally dependent** at the margin. External dependence is not in itself a weakness, but it transfers exposure to global trade conditions, tariff policy and demand cycles that Indian policy cannot influence.

Employment barely moved. The headline "employment improved" conceals the distribution: roughly 6 per cent of firms added staff while 92 per cent reported no change. In a services sector that is the principal generator of urban formal employment, near-universal payroll stasis is a more informative signal than the direction of the employment sub-index.

THE TENSION WITH THE SAME MORNING'S GROWTH UPGRADE

This is where the item earns its place in an answer, and it is the analytical link most summaries miss.

On the same morning, the Monetary Policy Committee **raised** its FY27 real GDP growth projection to 6.7 per cent from 6.6 per cent. Simultaneously, the high-frequency indicator covering the sector that contributes over half of India's gross value added recorded its weakest reading in four and a half years.

Both can be true, and reconciling them is the exercise:

POSSIBLE RECONCILIATION	WHAT IT WOULD IMPLY
Composition	Growth is being carried by government capital expenditure, construction and manufacturing rather than by private services demand
Base effects	A very strong preceding period makes a deceleration look sharper than the level warrants; 53.3 is still solid expansion
Indicator scope	The PMI surveys a panel and measures direction, not magnitude, and cannot be converted into a growth rate
Timing	The MPC forecasts the full financial year; a single month's deceleration need not alter an annual path

The honest conclusion is that the two are not contradictory, but that the PMI is a **leading** indicator and the growth forecast is a projection, so a sustained run of readings at this level would eventually force a revision. One month is a signal to watch, not a refutation.

UPSC RELEVANCE

GS Paper 3: Indian economy, growth and development; employment; indicators of economic activity; effects of liberalisation and external-sector linkages.

Prelims pointers:

- July 2026 **Services PMI 53.3**, from 57.4 in June; weakest in **53 months**, since **February 2022**.
- **Composite PMI Output Index 54.3**, from 57.1; over a four-year low. Manufacturing PMI **53.5 in July from 54.2 in June**, with a July flash of 53.9.

- The Composite is a **weighted average of manufacturing output and services business activity by GVA contribution**, not a simple average of the two headline PMIs.
- Compiled by **S&P Global**, sponsored by **HSBC**; a diffusion index in which 50 is the no-change threshold.
- New export orders remained positive, with demand credited to the **UAE, the UK and the US**.
- HSBC's Chief India Economist quoted on the release: **Pranjul Bhandari**.

UPSC RELEVANCE

Services PMI 53.3 in July 2026, from 57.4 in June, the weakest in 53 months. Composite PMI Output 54.3 from 57.1, an over four-year low. Manufacturing 53.5 in July from 54.2 in June, July flash 53.9. The services flash of 53.1 was revised up to 53.3; the Reuters poll median for the composite had been 57.7 against an actual 54.3.

new business grew at its slowest since February 2022, with firms citing competition, fading demand and postponed orders. New export orders stayed positive, credited to the UAE, UK and US. Output prices rose at the fastest rate since April. Only about 6 per cent of firms added staff, while 92 per cent reported no payroll change.

it is a GVA-weighted average of manufacturing output and services business activity, not the mean of the two headline PMIs. Services dominate the weighting.

a falling reading above 50 indicates slower expansion, not contraction. The PMI measures the breadth of change, not its magnitude, so it cannot be converted into a growth rate.

the MPC raised FY27 growth to 6.7 per cent on the morning this reading was published, which invites the composition question rather than settling it.

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

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Source: Still Above Fifty, Barely: Services PMI at a 53-Month Low — Ujiyari.com | Free UPSC & State PCS Current Affairs

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