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JUNE 2026

MSME ECONOMIC INTELLIGENCE AND MARKET INSIGHTS

FEATURED VOICES

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MILD EXPANSION AS THE NEW YEAR FINDS ITS FOOTING

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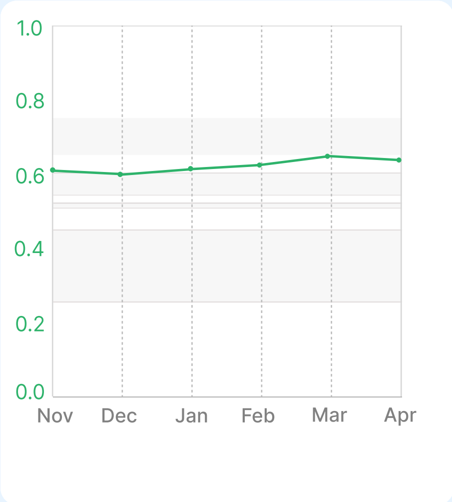

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Apr'26 SIDBI-Jocata Sumpoorn 0.58

SIDBI-Jocata Sumpoorn eased to 0.58 in April, down from 0.65 in March, indicating a mild pace of expansion in sales activity of credit-seeking MSMEs.

A Soft Start to FY27: Mild Expansion as the New Year Finds Its Footing

SIDBI-Jocata Sumpoorn eased in April 2026, continuing the seasonal moderation that has characterised the first month of the financial year. March typically benefits from year-end invoicing and order closures. The moderation was smaller than expected, making April a softer month by comparison. The noteworthy aspect is that April followed a period of considerable uncertainty arising from the conflict in West Asia.

Even with the decline from March, the April reading remains higher than the corresponding month in each of the previous three years. The progression from 0.53 in 2023 to 0.55 in 2024, 0.56 in 2025 and now 0.58 in 2026 suggests a gradual strengthening in the economic activity of credit-seeking MSMEs. This broadly mirrors what we are seeing elsewhere in the economy. Strong domestic demand, continued public investment, and a resilient financial system have helped cushion the broader economy from a larger adverse impact.

Domestic Engines Running

Consumer-facing sectors continue to show encouraging trends. Two-wheeler sales remained strong in April. Honda reported domestic sales growth of 15% YoY, Bajaj 11%, TVS 8%, Royal Enfield 37% and Hero MotoCorp 85%1. Passenger vehicle sales rose 12.21% YoY to 4.07 lakh units. Commercial vehicle retail sales grew 15%, with Tata Motors 28%, Mahindra 15% and Ashok Leyland 12% all posting gains. Tractor sales recorded growth of 27% YoY, a sharp acceleration from the 7% growth seen in the same month last year, providing a positive signal from rural markets. Organised retail also held up well. RAI data shows overall retail sales grew 7% YoY in April, led by Sports Goods 11%, QSR 9% and Food & Grocery 8%. Apparel & Clothing was the softest category at 4%, consistent with the broader pressure on labour-intensive sectors discussed later.

April marked the first release of the Index of Industrial Production under the revised FY23 base year series. Industrial output expanded by 4.9% YoY, while manufacturing grew by 6.2%. Importantly, the growth was reasonably broad-based. At the same time, all sectors have not performed uniformly. Seventeen of the twenty-three manufacturing sectors recorded positive growth. Motor vehicles, electrical equipment and machinery emerged as the strongest contributors. Capital goods output increased by 16%, while infrastructure and construction goods grew by 7.1%, supported by continued government capital expenditure.

While manufacturing output expanded by 6.2% in April, six manufacturing industries recorded contractions. We would particularly highlight labour-intensive MSME dominated sectors such as wearing apparel, which contracted by 7%, along with textiles and leather and related products, which continue to lag some of the stronger manufacturing segments. The divergence between labour-intensive industries and sectors such as automobiles, machinery and electrical equipment bears watching as FY27 begins.

The office market, which is a key indicator of business activity, has also remained buoyant. Gross leasing touched a record 21.5 million sq. ft. in Q1 (Jan-March in this case) 2026, led by GCCs and flex spaces. This is likely to positively impact the wider ecosystem of MSMEs providing services, fit-outs, transport and facilities management.

Where the Strain Is Showing

Inflation remains at a headline level, with CPI inflation at 3.48% in April and food inflation at 4.20%. However, some of the categories most relevant to MSMEs continue to see higher cost pressures. Inflation in transport services for goods stood at 7.6%, while restaurants and accommodation services recorded inflation of 4.2%, reflecting the pressures building up across logistics and food-related businesses.

The impact of the conflict in West Asia is visible more clearly on the cost side. Brent crude prices remained volatile during the quarter, affecting freight costs, logistics expenses and input prices across sectors.

Commercial LPG has emerged as a particular area of concern. Prices were increased sharply in March and again in April, while the withdrawal of bulk-buyer discounts added further pressure. By May 2026, the price of a 19 kg commercial LPG cylinder had risen by over ₹1,300 compared to early March levels in several major cities. The impact has been particularly visible among foundries, fabrication units, powder-coating businesses, food processors, bakeries and commercial kitchens, which have significant MSME presence.

Food-related MSME businesses face additional pressure from rising edible oil prices. International palm oil prices have increased for five consecutive months through April 2026, rising from around $1,040 per tonne in November 2025 to $1,155 per tonne by end-April. Palm oil remains a key input for restaurants, packaged food manufacturers, snack producers and personal care businesses, many of which operate across the MSME spectrum. For these businesses, the combination of higher energy costs and rising input prices is likely to weigh on margins in the coming months.

Export Momentum Strengthens in April 2026

The export picture showed strong momentum in April 2026. Merchandise and services exports totalled $ 80.80 billion, rising 13.59% YoY. Merchandise exports alone reached $ 43.56 billion (up 13.78% YoY), while services exports were $ 37.24 billion (up 13.36% YoY). Non-petroleum and non-gems exports increased 9.01% YoY to $ 33.97 billion. Shipping disruptions and uncertainty around global trade continue to affect sentiment. For MSMEs, the impact is often felt through longer receivable cycles and working-capital pressures before it appears in headline trade numbers. This is an area that warrants close monitoring.

Reading the Reservoirs

The monsoon outlook remains an important factor for FY27. At first glance, the IMD's revised forecast of 90% of the Long Period Average and the increased probability of below-normal rainfall may appear concerning. The current Reservoir Levels also do not provide any extra comfort against the monsoon shortfall scenario.

India's 166 major reservoirs held 56.3 BCM of water as of 29 May 2026, equivalent to around 31% of total capacity, marginally higher than the 55.9 BCM (30.45% of capacity) recorded at the same time last year and nearly 19% above the ten-year average. Western and Central India enter the monsoon season with relatively comfortable storage levels. The concern is more regional than national. Reservoirs in parts of Southern India remain under pressure, with Karnataka's reservoirs at just 16.8% of capacity and several major reservoirs in Tamil Nadu operating at below 10% of capacity. For MSMEs dependent on agricultural activity and rural demand in these regions, rainfall outcomes over the coming months will be particularly important.

The implications for agriculture are also likely to vary considerably across regions. Southern India enters the kharif season from a weaker position, particularly in Karnataka and parts of Tamil Nadu, where reservoir levels remain low. A delayed monsoon could affect irrigation-dependent crops and, in turn, rural incomes and local demand conditions. In contrast, higher storage levels in Gujarat and parts of northern India provide a more supportive backdrop for agricultural activity. The emerging picture is therefore not one of a nationwide agricultural stress event, but of increasingly divergent regional outcomes. Agriculture itself presents a mixed picture. Foodgrain production estimates suggest moderate growth over the previous year. However, wheat faced a difficult season due to heat stress and unseasonal rainfall in some regions. Any tightening in cereal supplies would have implications for food inflation and for food-processing businesses already coping with higher fuel and edible oil costs.

Credit Holds Steady

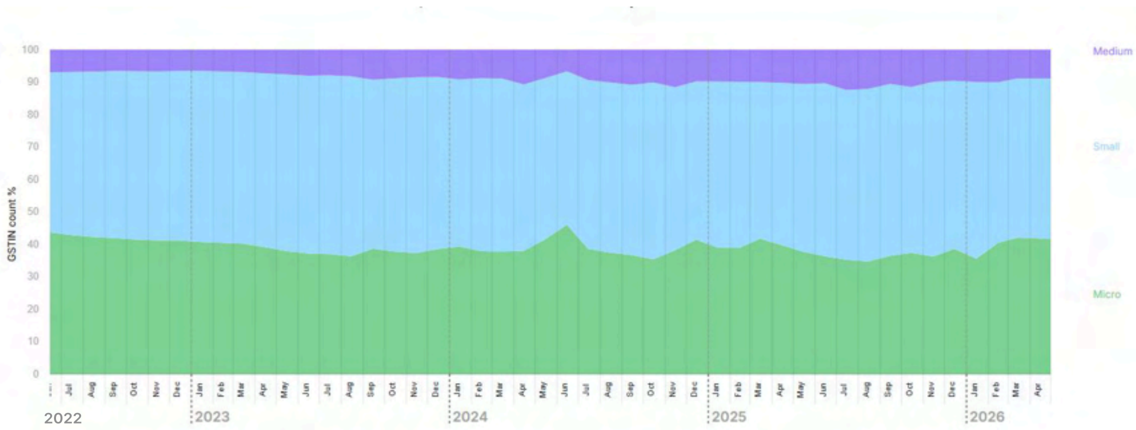
Credit conditions continue to remain supportive. Lending to MSMEs has maintained healthy growth (23.5% YoY as of March 2026)2, aided by expanding CGTMSE coverage and continued emphasis on collateral-free lending. The enhancement of guarantee limits announced in the previous Budget is likely to further strengthen access to formal finance. The Finance Ministry has already reached out to lenders to assess the impact of the conflict in West Asia on MSMEs, suggestive of further interventional measures and targeted support from a policy perspective as and when required.

Domestic demand continues to provide support, industrial activity remains broad-based and access to credit remains healthy. Some sectors continue to face pressure from rising costs and external uncertainty, while others are benefiting from strong domestic demand and investment activity. The picture is uneven, and that is perhaps the most important takeaway from the April data. All in all, while the outlook for MSMEs remains stable, the coming months will provide a much clearer picture of the year ahead.

What is SIDBI-Jocata Sumpoorn?

SIDBI-Jocata Sumpoorn is an MSME-specific high frequency indicator built using consent-led and anonymised sales data of 2 lakh+ MSMEs seeking credit from financial institutions.

The sample is well-distributed across geography, turnover size and sectors.



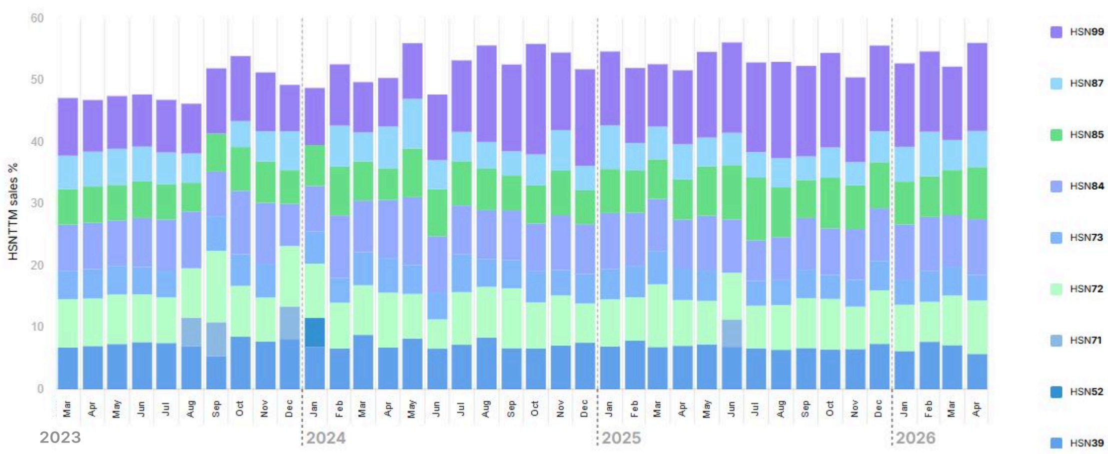


Fig.- % Distribution by value of top 7 HSNs within MSME sample

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