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INDEX OF INDUSTRIAL PRODUCTION

Leap year-related base effect dampened IIP growth to 2.9% in February 2025; expected to print at ~3.0% in March 2025

APRIL 2025

Highlights

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YoY IIP growth moderated to 2.9% in February 2025 from 5.2% in January 2025, partly dampened by the high base related to the leap year.

Growth of mining and manufacturing, as well as all six use-based categories decelerated between these months.

Available data suggests a worsening in mining activity and uptick in electricity generation; ICRA expects the IIP growth print at ~3% in March 2025; accelerated export shipments could provide an upside.

The high base related to the leap year pulled down the year-on-year (YoY) growth of the Index of Industrial Production (IIP) to a six-month low of 2.9% in February 2025 from 5.2% in January 2025, largely in line with ICRA's forecast for the month (+3.0%). The deceleration was broad based, with all the use-based categories, and two of the three sectors (mining and manufacturing) witnessing a slower growth in February 2025 vis-à-vis the previous month. Looking ahead, the YoY performance of most of the available high frequency indicators improved in March 2025, including electricity generation and the mobility and transport-related indicators, while Coal India Limited's output posted a steeper YoY contraction, as compared to February 2025.

- **YoY IIP growth expectedly moderated to 2.9% in February 2025:** In line with ICRA's forecast (+3.0%), the leap year base pulled down the YoY growth in IIP to a six-month low of 2.9% in February 2025 (+5.6% in February 2024) from 5.2% in January 2025 (+4.2% in January 2024). This was driven by slower growth in output of mining (to a 4-month low +1.6% from +4.4%) and manufacturing (to a 6-month low +2.9% from +5.8%) sectors, even as electricity growth (to +3.6% from +2.4%) improved between these two months.
- **Output of all use-based categories weakened:** The deterioration was broad based among all six use-based categories in February 2025 vis-à-vis prior month, with growth in primary, intermediate goods and consumer durables falling in the range of 1-4%, as against 6-8% growth rates seen in capital and construction goods. Nevertheless, consumer non-durables contracted for the third straight month, by 2.1% in February 2025 (vs. -0.3% in January 2025).
- **IIP growth likely to remain steady at ~3.0% in March 2025:** While the YoY growth performance of mining is expected to deteriorate in March 2025 relative to February 2025, this is likely to be offset by an uptick in electricity generation, amid steady manufacturing growth. Our baseline expectation was that the IIP growth would print at ~3% in March 2025, similar to the levels seen in February 2025. However, accelerated export shipments could provide an upside; we will review the same after the March 2025 merchandise exports data is released.

IIP growth expectedly moderated to 2.9% in February 2025, dampened by high base related to leap year

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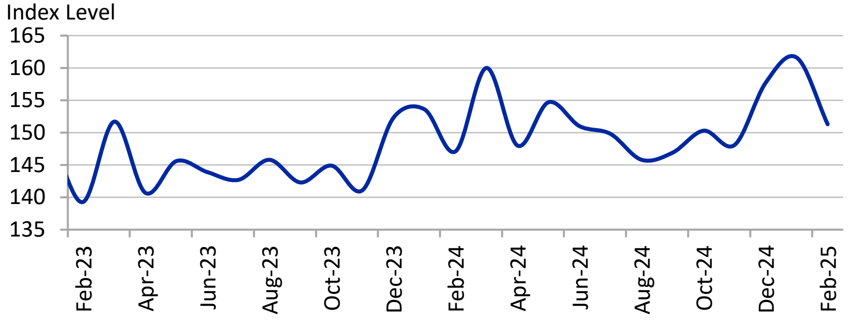
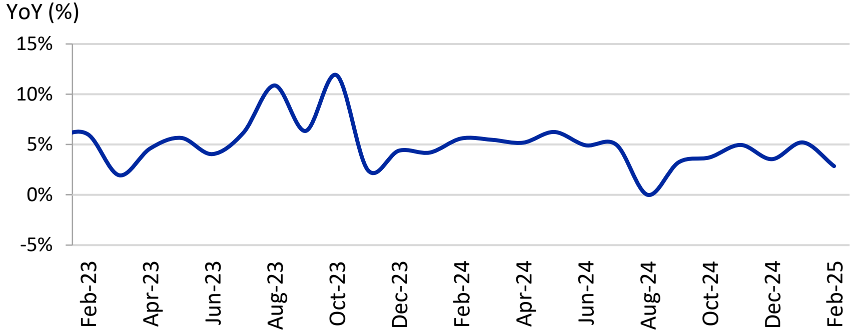
EXHIBIT: Trends in index levels of IIP



Source: National Statistical Office (NSO); CEIC; ICRA Research

EXHIBIT: Trends in YoY growth of IIP

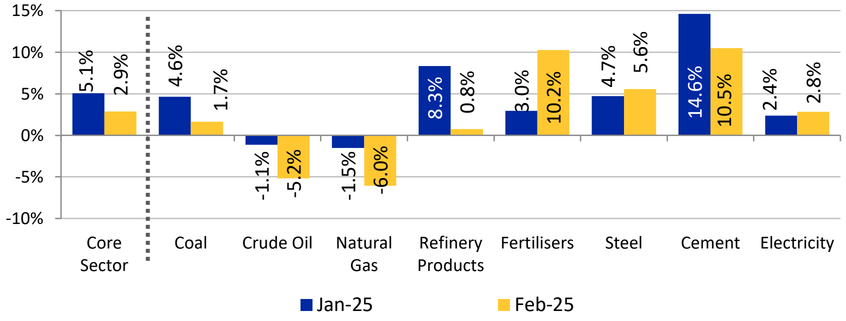


Source: NSO; CEIC; ICRA Research

- Largely in line with ICRA's forecast (+3.0%), the YoY growth in IIP saw a moderation to a six-month low of 2.9% in February 2025 (+5.6% in February 2024) from the eight-month high of 5.2% in January 2025 (+4.2% in January 2024), partly impacted by a high base related to the leap year that had benefitted activity during the year-ago month. In addition, the performance of mining sector remained subdued, with the YoY growth in output decelerating sharply to a four-month low of 1.6% in February 2025 (+8.1% in February 2024) from 4.4% in January 2025 (+6.0% in January 2024), mirroring the trends seen in coal, crude oil and natural gas.
- Besides, manufacturing output growth halved to 2.9% in February 2025 (+4.9% in February 2024) from 5.8% seen in the prior month (+3.6% in January 2024).
- In contrast, the pace of expansion in electricity generation improved to 3.6% in February 2025 (+7.6% in February 2024) after touching a three-month low of 2.4% in January 2025 (+5.6% in January 2024).

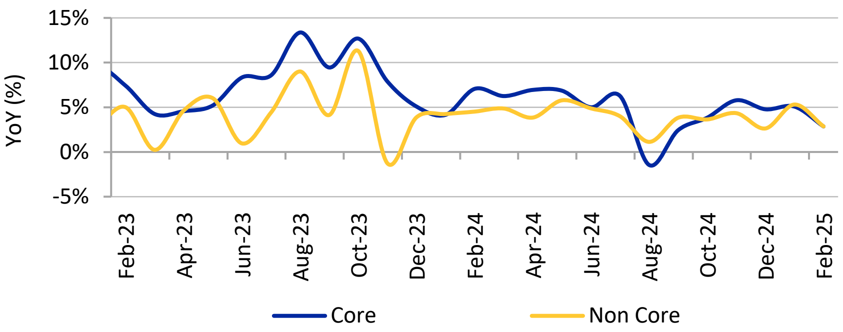
YoY growth in output of core and non-core segments moderated to 2.9% each in February 2025

EXHIBIT: YoY performance of core sector and its sub-components



Source: Index of Eight Core Industries, Office of Economic Adviser, Ministry of Commerce and Industry; CEIC; ICRA Research

EXHIBIT: YoY trends in output of core and non-core sectors of the IIP

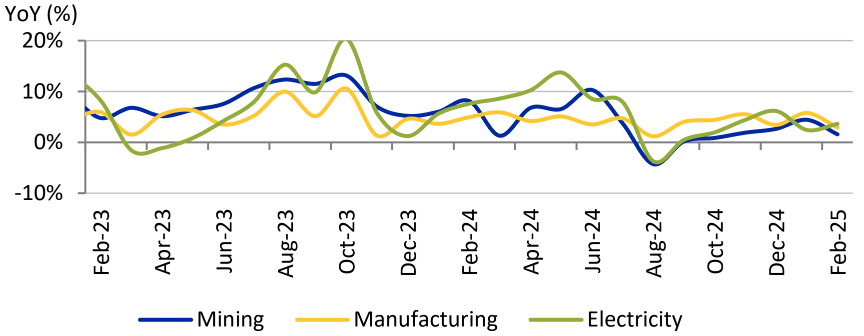


The non-core output is computed by excluding core output from the IIP; Source: Index of Eight Core Industries, Office of Economic Adviser, Ministry of Commerce and Industry; CEIC; ICRA Research

- The YoY growth in core output moderated to a five-month low of 2.9% in February 2025 (+7.1% in February 2025) from 5.1% in January 2025 (+4.2% in January 2024), although this was partly on account of the leap year-related high base.
- As many as five of the eight indicators recorded a weaker YoY performance in February 2025 vis-à-vis the previous month. These included coal output (to a six-month low of +1.7% in February 2025 from +4.6% in January 2025), refinery products (to a six-month low of +0.8% from +8.3%), and cement (while remaining robust at +10.5% from +14.6%). Furthermore, the YoY contraction in crude oil (to a 45-month low of -5.2% from -1.1%) and natural gas (to a 50-month low of -6.0% from -1.5%) deepened significantly in February 2025 relative to January 2025.
- Among the other three indicators that witnessed an uptick in their growth rates in February 2025 vis-à-vis January 2025, fertiliser output growth surged to a 22-month high of 10.2% from 3.0% in January 2025, primarily boosted by a low base. This was followed by an improvement in YoY performance of steel (to +5.6% from +4.7%) and electricity generation (to +2.8% from +2.4%) between these months.
- Notably, the YoY growth in the non-core sector (+2.9%; weight in IIP: 59.7%) was at par with that in core sector output (+2.9%; weight in IIP: 40.3%) in February 2025, both of which saw a deceleration vis-à-vis the growth seen in January 2025.

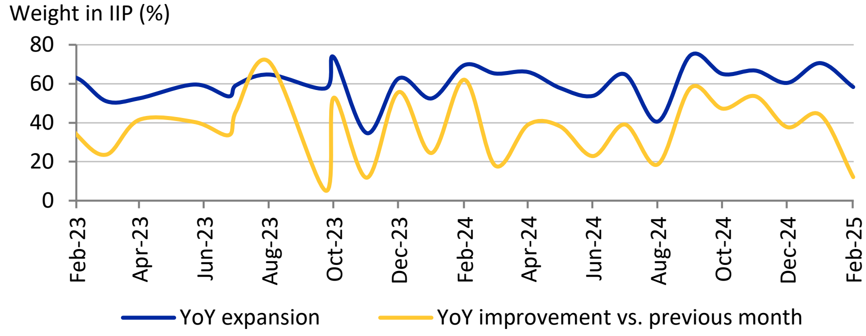
Slowdown in growth of manufacturing output in February 2025 vis-à-vis January 2025 was broad based, led by 19 of the 23 sub-sectors

EXHIBIT: YoY trends in IIP (sectoral-based)



Source: NSO; CEIC; ICRA Research

EXHIBIT: Weightage (%; in IIP) of manufacturing sub-sectors reporting YoY expansion and improvement in YoY growth vs. previous month

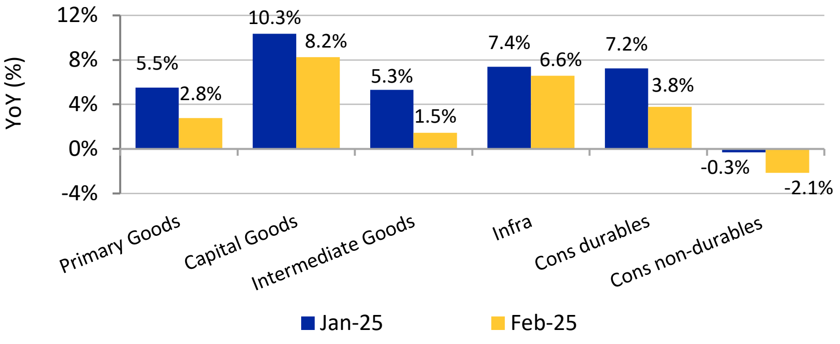


Source: NSO; CEIC; ICRA Research

- The deterioration in the YoY growth of manufacturing output in February 2025 vis-à-vis January 2025 was broad-based, driven by as many as 19 of the 23 sub-sectors (with a large weight of 65.5% in the IIP); this subset includes coke and refined petroleum products, basic metals, other non-metallic mineral products, food products, etc.
- In contrast, the output of just four sub-sectors (with a lower weight of just 12.1% in the IIP) saw an improvement in their YoY performance in February 2025 vis-à-vis the prior month. This sub-set includes pharma, medicinal chemical and botanical products, motor vehicles, trailers and semi-trailers, printing and reproduction of recorded media, and computer, electronic and optical products.
- Notably, the production of 14 of the 23 sub-sectors of manufacturing (with a large weight of 58.3% in the IIP) expanded on a YoY basis in February 2025, while the output of the remaining nine sub-sectors (with a lower weight of 19.3% in the IIP) contracted in the month.

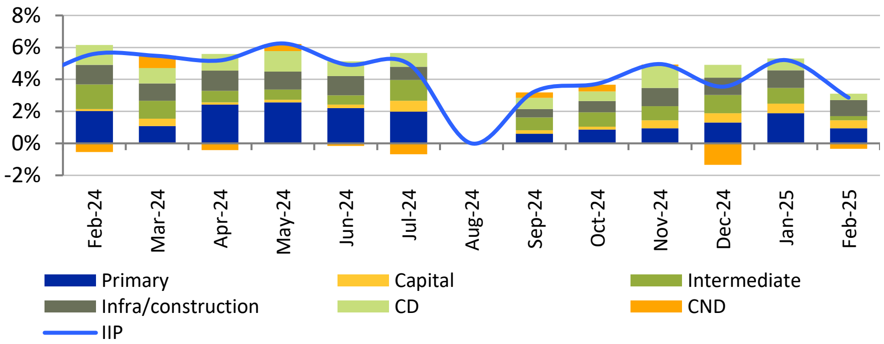
YoY performance of all use-based categories saw a deterioration in February 2025 relative to the previous month

EXHIBIT: YoY trends in IIP (use-based)



Source: NSO; CEIC; ICRA Research

EXHIBIT: Contribution to IIP growth by use-based categories



**CD: Consumer durables; CND: Consumer non- durables; Source: NSO; CEIC; ICRA Research*

- All the six use-based categories saw a broad-based deterioration in their YoY performance in February 2025 compared to January 2025. The YoY contraction in the output of consumer non-durables widened to 2.1% in February 2025 (-3.2% in February 2024) from 0.3% seen in January 2025 (+0.3% in January 2024), despite a favourable base.
- In addition, the pace of expansion in the output of consumer durables (to a 15-month low of +3.8% from +7.2%) and intermediate goods (to a 24-month low of +1.5% from +5.3%) slid to a multi-month low in February 2025, relative to the previous month, partly driven by a high base.
- Moreover, the YoY growth in the output of infrastructure/construction (to a four-month low of +6.6% in February 2025 from +7.4% in January 2025, led by the moderation in the growth of cement output), capital (to a four-month low of +8.2% from +10.3%), and primary (to a three-month low +2.8% from +5.5%, amid a slowdown in the YoY growth of mining output) goods deteriorated in February 2025, compared to the previous month.

MoM contraction of 6.4% in IIP in February 2025 was sharper than that seen in February 2024

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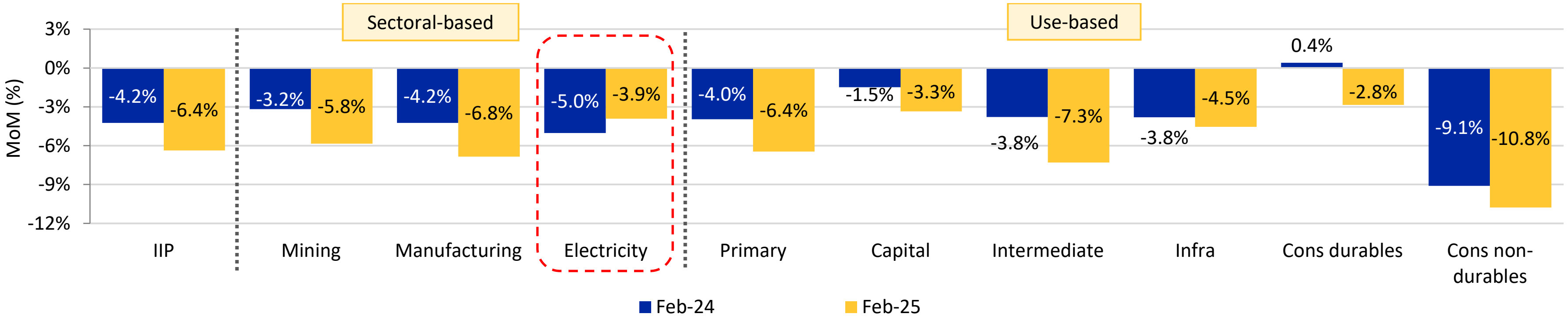
EXHIBIT: MoM trends in IIP and its sub-components

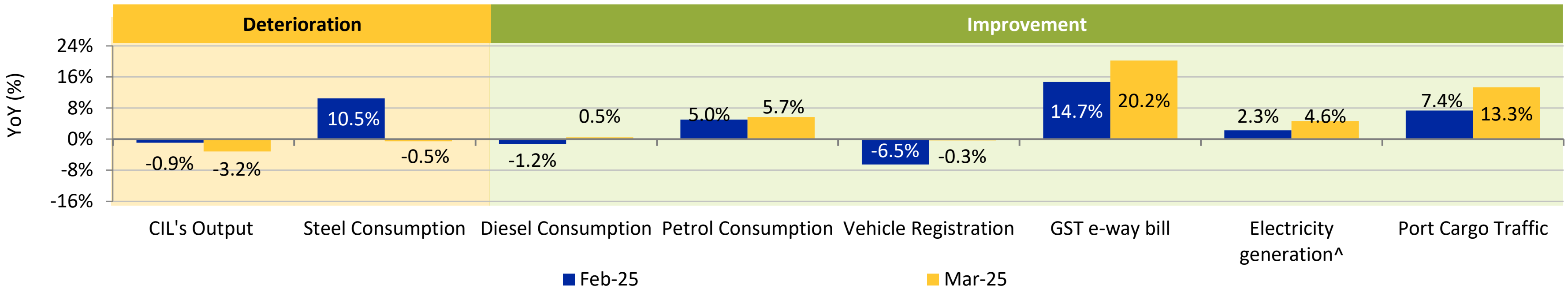


Infra: Infrastructure/ construction goods; Cons durables: Consumer durables; Cons non-durables: Consumer non-durables; Source: NSO; CEIC; ICRA Research

- In sequential terms, industrial output fell by 6.4% in February 2025, wider than the 4.2% contraction seen in February 2024, with the year ago month having a higher number of days owing to the leap year effect. The steeper MoM decline was driven by manufacturing (-6.8% in February 2025 vs. -4.2% in February 2024) and mining (-5.8% vs. -3.2%), while electricity generation (-3.9% vs. -5.0%) saw a relatively narrower contraction.
- Additionally, all the six use-based categories witnessed a weaker MoM performance in February 2025 against the levels seen in the year-ago month; these include intermediate (-7.3% in February 2025 vs. -3.8% in February 2024), primary (-6.4% vs. -4.0%), infrastructure/ construction (-4.5% vs. -3.8%), and capital (-3.3% vs. -1.5%) goods as well as consumer durables (-2.8% vs. +0.4%) and non-durables (-10.1% vs. -9.1%).

OUTLOOK: Accelerated export shipments could provide an upside to IIP growth in March 2025

EXHIBIT: YoY trends of high frequency indicators



^excludes renewable energy; CIL: Coal India Limited; Source: CIL; CEA; JPC; GSTN; PPAC; IPA; Vahan Portal; CEIC; ICRA Research

- Following the base effect induced slowdown in February 2025, the YoY performance of most of the available high frequency indicators improved in March 2025. Among the mobility and transport-related indicators, the growth in GST e-way bill generation rose to 20.2% in March 2025 (to a record high 124.5 million) from 14.7% in February 2025, amid an uptick in the manufacturing PMI (to an eight-month high of 58.1 in March 2025) between these months. This was followed by robust growth in port cargo traffic (to a 16-month high of +13.3% from +7.4%) aided by a likely rise in shipments ahead of the pre-announced tariff hikes in the US from April 2025.
- Furthermore, diesel consumption (to +0.5% from -1.2%), petrol consumption (+5.7% from +5.0%), vehicle registrations (to -0.3% from -6.5%; sales largely picked up in the last week of March 2025 amid increased festive demand owing to Navratri, Gudi Padwa, and Eid as well as year-end depreciation benefits).
- Moreover, growth in electricity generation doubled (to +4.6% from +2.3%), while that in Coal India Limited’s output saw a continued contraction (to -3.2% from -0.9%). Besides, steel consumption also declined (to -0.5% from +10.5%) in March 2025, although this was dampened by a high base.
- **While the growth of mining is expected to deteriorate in March 2025 relative to February 2025, this is likely to be offset by an uptick in electricity generation, amid steady manufacturing growth. Our baseline expectation was that the IIP growth would print at ~3% in March 2025, similar to the levels seen in February 2025. However, accelerated export shipments could provide an upside; we will review the same after the March 2025 merchandise exports data is released.**

Annexure A.1.

Table A.1: Trends in IIP Growth

	Sectoral				Use-Based Classification					
	IIP	Mining	Manufacturing	Electricity	Primary	Capital	Intermediate	Infra/ Construction	Durables	Non-Durables
Weight	100.0%	14.4%	77.6%	8.0%	34.0%	8.2%	17.2%	12.3%	12.8%	15.3%
YoY (%)										
January-25	5.2%	4.4%	5.8%	2.4%	5.5%	10.3%	5.3%	7.4%	7.2%	-0.3%
February-25	2.9%	1.6%	2.9%	3.6%	2.8%	8.2%	1.5%	6.6%	3.8%	-2.1%
MoM (%)										
January-25	2.5%	5.2%	1.7%	4.7%	3.2%	4.3%	1.5%	3.5%	5.0%	-1.1%
February-25	-6.4%	-5.8%	-6.8%	-3.9%	-6.4%	-3.3%	-7.3%	-4.5%	-2.8%	-10.8%
Feb-25 vs. Feb-19	18.6%	26.1%	14.9%	40.7%	25.8%	7.2%	34.9%	35.6%	1.1%	-4.7%

Source: NSO; CEIC; ICRA Research

Annexure A.2.

Table A.2: Sub-groups with major contribution in IIP on the basis of use-based classification

Use-Based Classification	Item Group	Sub-group	Weight (%)	Use-Based Classification	Item Group	Sub-group	Weight (%)
Primary Goods (Wt.=34.0%)	Mining	Mining	14.37	**Infrastructure /Construction Goods (Wt.=12.3%)**	Cement	Other non-metallic mineral products	2.16
	Electricity	Electricity	7.99		Bars and Rods of Mild steel	Basic Metals	1.35
	Diesel	Coke and refined petroleum products	5.71		HR coils and sheets of mild steel	Basic Metals	1.35
Capital Goods (Wt.=8.2%)	Commercial Vehicles	Motor vehicles, trailers and semi-trailers	0.94	**Consumer Durables (Wt.=12.8%)**	Auto components/ spares and accessories	Motor vehicles, trailers and semi-trailers	2.59
	Stationary and internal combustion piston engines not for motor vehicles	Machinery and equipment N.E.C.	0.51		Two-wheelers (motorcycles/ scooters)	Other transport equipment	1.36
	Generators / Alternators	Electrical Equipment	0.46		Readymade Garments	Wearing Apparel	1.01
Intermediate Goods (Wt.=17.2%)	Naphtha	Coke and refined petroleum products	1.15	**Consumer Non-durables (Wt.=15.3%)**	API & formulations of vitamins	Pharmaceuticals, medicinal chemical and botanical products	0.85
	MS blooms/ billets/ ingots/ pencil ingots	Basic Metals	0.95		Sugar	Food Products	0.76
	MS slabs	Basic Metals	0.84		Steroids and hormonal preparations	Pharmaceuticals, medicinal chemical and botanical products	0.72

Source: NSO; CEIC; ICRA Research

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Thank You!