# INDEX OF INDUSTRIAL PRODUCTION

**IIP growth inched up to 3.0% in March 2025, while marginally trailing ICRA's expectations**

APRIL 2025

# Highlights

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*The IIP quick estimate for March 2025 has been compiled at a weighted response rate of 88%, lower than that for December 2024 (95%), January 2025 (94%), and February 2025 (94%), amid the preponing of the data release by two weeks.*

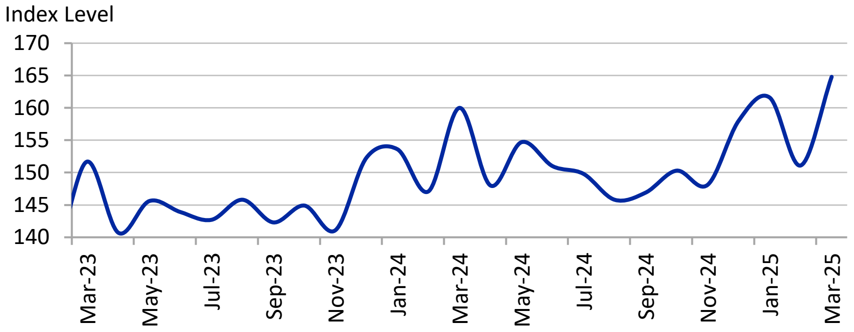
*This may have dampened the estimated YoY IIP growth rate in March 2025, which could subsequently undergo a relatively larger revision as compared to that seen in the past.*

**The year-on-year (YoY) growth of the Index of Industrial Production (IIP) inched up to 3.0% in March 2025 from the revised 2.7% in February 2025, while printing slightly lower than ICRA's forecast for the month (+3.3%). The improvement in the YoY growth of electricity generation and manufacturing output was largely offset by the dip in that of mining output in March 2025 relative to the prior month. Notably, the lower response rate associated with the preponing of the data release could have dampened the estimated IIP growth rate in March 2025, which may subsequently undergo a relatively larger revision as compared to that seen in the past. Looking ahead, while there is some evidence as well as commentary around frontloading in exports to the US, it would need to be ascertained whether this is driven by redirection away from other geographies or a bump up in output in the ongoing month.**

- **YoY IIP growth rose marginally to 3.0% in March 2025:** The YoY growth in IIP improved marginally to 3.0% in March 2025 from 2.7% in February 2025, while slightly trailing ICRA's forecast (+3.3%). This was driven by an improvement in the YoY performance of electricity generation (to +6.3% from +3.6%) and manufacturing output (to +3.0% from +2.8%), even as the growth of mining output (to +0.4% from +1.6%) moderated between these months. Overall, the IIP growth slowed to 3.6% in Q4 FY2025 from 4.1% in Q3, while averaging at 4.0% (4-year low) in FY2025 as a whole.
- **Performance of use-based categories was mixed:** The output of primary, intermediate, and construction goods as well as consumer durables saw a higher YoY expansion in March 2025, relative to February 2025. While the output for consumer non-durables (-4.7%) contracted for the second straight month in March 2025, the growth in the capital goods output moderated to a seven-month low of 2.4% partly owing to an adverse base.
- **Redirection of trade flows/frontloading of exports to US remains a monitorable:** As per the early data for April 2025, the YoY performance of electricity demand and auto retail volumes have weakened in the month vis-à-vis March 2025. While there is some evidence as well as commentary around frontloading in exports to the US, ICRA remains watchful of whether this is driven by a redirection away from other geographies or a bump up in output in the ongoing month. This is likely to impact the output of the manufacturing segment in the near term. Based on the limited data available, IIP growth is likely to print at 2.5-4.0% in April 2025.

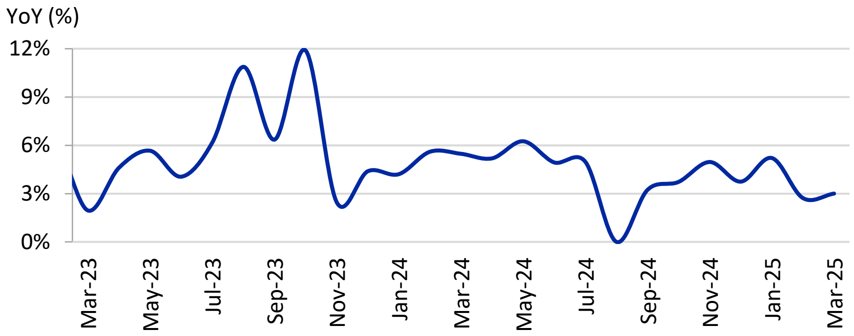
# YoY IIP growth rose marginally to 3.0% in March 2025, while trailing ICRA's expectations

**EXHIBIT: Trends in index levels of IIP**




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

**EXHIBIT: Trends in YoY growth of IIP**

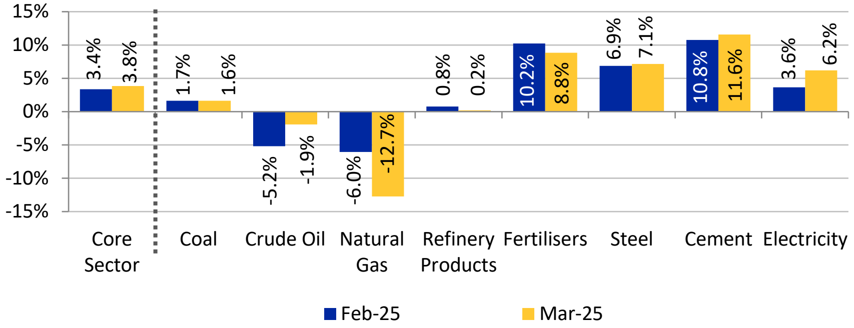



*Source: NSO; CEIC; ICRA Research*

- The YoY growth in IIP rose mildly to 3.0% in March 2025 (+5.5% in March 2024) from 2.7% in February 2025 (+5.6% in February 2024), while marginally trailing ICRA's forecast (+3.3%). This was driven by an improvement in the performance of manufacturing output (to +3.0% in March 2025 from +2.8% in February 2025) and electricity generation (to an eight-month high +6.3% from +3.6%).
- This was largely offset by the subdued performance of the mining sector, with the YoY growth in output of the same decelerating to a six-month low of 0.4% in March 2025 (+1.3% in March 2024) from 1.6% in February 2025 (+8.1% in February 2024), mirroring the trends seen in the output of coal and natural gas.
- Notably, the IIP quick estimate for March 2025 has been compiled at a weighted response rate of 88%, lower than that for December 2024 (95%), January 2025 (94%), and February 2025 (94%), amid the preponing of the data release by two weeks. This may have dampened the estimated YoY IIP growth rate in March 2025, which could subsequently undergo a relatively larger revision as compared to that seen in the past.

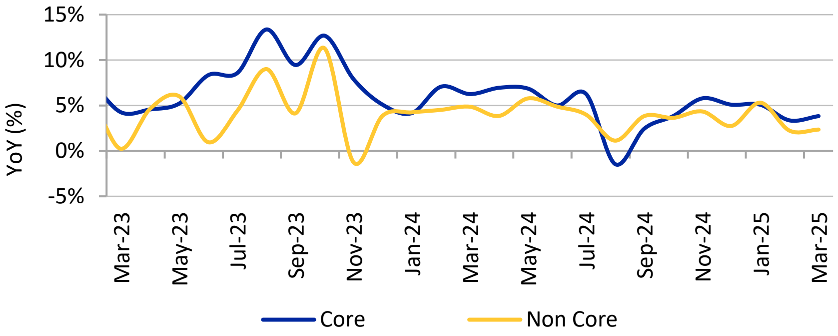
# YoY growth in output of non-core segment printed at 2.3% in March 2025, trailing that of the core sector

**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 rose to a two-month high of 3.8% in March 2025 (+6.3% in March 2024) from 3.4% in February 2025 (+7.1% in February 2024), with half of the eight indicators recording an improvement in their YoY performance in March 2025 vis-à-vis the previous month. These included infra related indicators like steel (to +7.1% in March 2025 from +6.9% in February 2025) and cement output (to +11.6% from +10.8%), as well as electricity generation (to +6.2% from +3.6%; led by above-normal temperatures and a greater number of heatwave days in March 2025). Further, even as the YoY growth of crude oil output remained in the contractionary zone amidst lower crude oil prices, the extent of the same narrowed to 1.9% from 5.2% in February 2025.
- In contrast, the remaining indicators that reported a deterioration in March 2025 vis-à-vis February 2025 includes coal (to +1.6% from +1.7%), natural gas (to -12.7% from -6.0%; amidst higher imports), petroleum refinery products (to 0.2% from 0.8%) and fertiliser (to +8.8% from +10.2%; partly led by an unfavorable base and comfortable inventory levels) output.
- Notably, the YoY growth in the output of the non-core sector (+2.3%; weight in IIP: 59.7%) was substantially lower than that for the core sector (+3.8%; weight in IIP: 40.3%) in March 2025.

# Improvement in manufacturing output growth in March 2025 vis-à-vis February 2025 was led by 15 of the 23 sub-sectors

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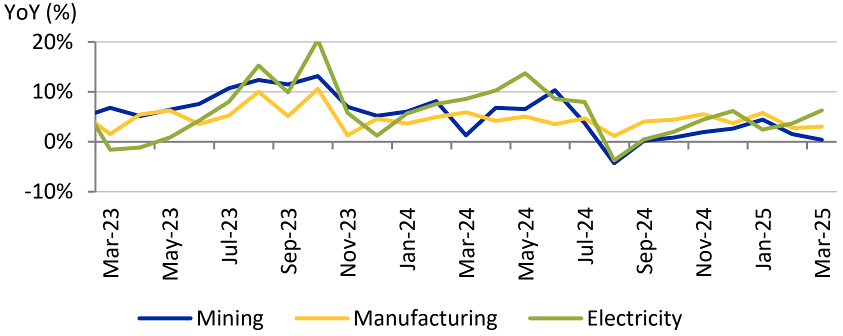
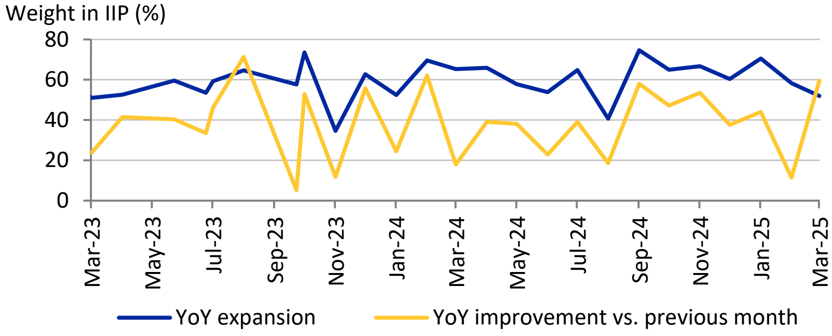
**EXHIBIT: YoY trends in IIP (sectoral-based)**




*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*

- While the YoY growth in manufacturing output only improved slightly in March 2025 vis-à-vis February 2025, this was driven by as many as 15 of the 23 sub-sectors (with a large weight of 59.5% in the IIP). This subset includes coke and refined petroleum products, chemicals and chemical products, basic metals, machinery and equipment, motor vehicles, trailers and semi-trailers, beverages, tobacco products, textiles, wearing apparel, leather and related products, etc.
- In contrast, the output of eight sub-sectors (with a lower weight of 18.1% in the IIP) saw a deterioration in their YoY performance in March 2025 vis-à-vis the prior month.
- Notably, the production of 13 of the 23 sub-sectors of manufacturing (with a weight of 51.9% in the IIP) expanded on a YoY basis in March 2025, while the output of the remaining 10 sub-sectors (with a lower weight of 25.7% in the IIP) contracted in the month.

# YoY performance of four of the six use-based categories improved in March 2025 vs. February 2025

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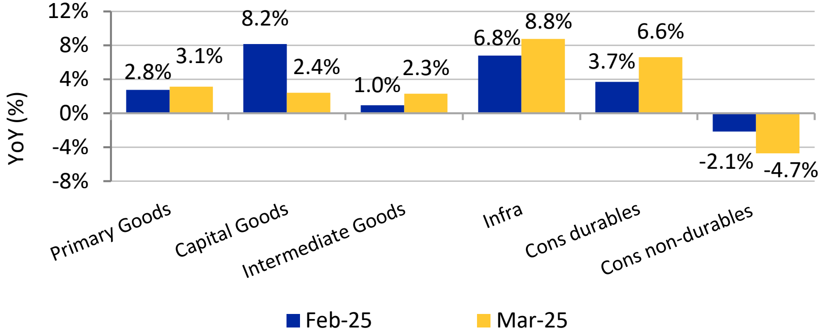
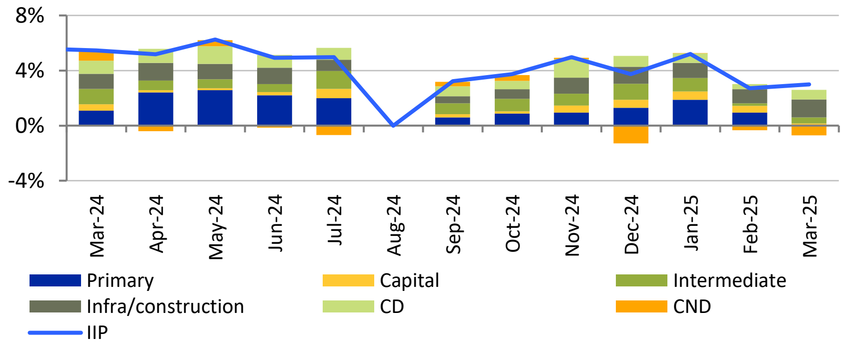
**EXHIBIT: YoY trends in IIP (use-based)**




*Source: NSO; CEIC; ICRA Research*

**EXHIBIT: Contribution to IIP growth by use-based categories**

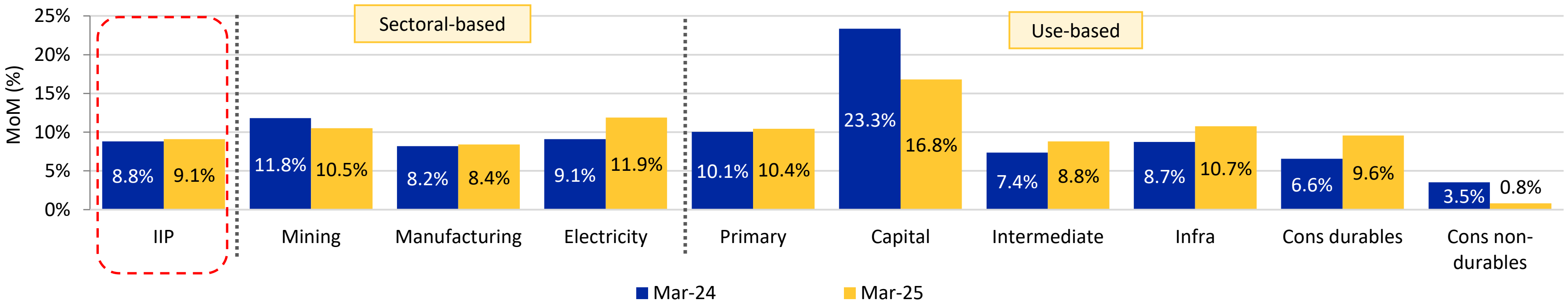



**CD: Consumer durables; CND: Consumer non- durables; Source: NSO; CEIC; ICRA Research*

- Four of the six use-based categories saw an improvement in their YoY performance in March 2025 compared to February 2025. These include consumer durables (to +6.6% from +3.7%), infrastructure/construction goods (to a 17-month high of +8.8% from +6.8%, amid improvement in YoY growth in cement and steel output), intermediate goods (to +2.3% from +1.0%), and primary goods (to +3.1% from +2.8%, largely led by electricity generation).
- In contrast, the YoY contraction in the output of consumer non-durables widened further to 4.7% in March 2025 (+5.2% in March 2024) from 2.1% in February 2025 (-3.2% in February 2024), partly weighed down by an unfavourable base and the YoY contraction in manufacture of food products, and pharma, medicinal chemical and botanical products. Moreover, the YoY expansion in capital goods dipped sharply to a seven-month low of 2.4% in March 2025 from 8.2% in February 2025, partly led by an unfavorable base (February 2024/March 2024: +1.7%/+7.0%). This contrasts with the growth trends seen in manufacturing sub-groups such as machinery and equipment (to +8.0% from +2.8%), and electrical equipment (to +15.7% from +9.5%).

# MoM increase in industrial output in March 2025 stronger than that seen in 2024

**EXHIBIT: MoM trends in IIP and its sub-components**

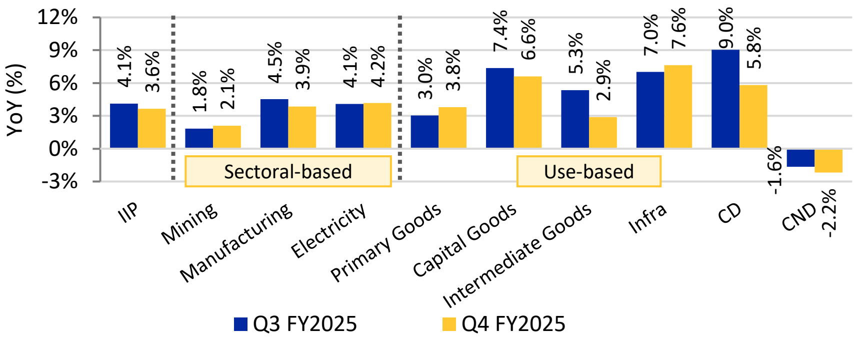



*Infra: Infrastructure/ construction goods; Cons durables: Consumer durables; Cons non-durables: Consumer non-durables; Source: NSO; CEIC; ICRA Research*

- In sequential terms, industrial output increased by a healthy 9.1% in March 2025, slightly stronger than the 8.8% growth seen in March 2024, wherein the activity was partly curtailed by the enforcement of the Model Code of Conduct in the second half of the month ahead of the 2024 Parliamentary Elections. While electricity (+11.9% in March 2025 vs. +9.1% in March 2024) and manufacturing (+8.4% vs. +8.2%) witnessed an improvement in their MoM prints, the sequential expansion in mining output (+10.5% vs. +11.8%) was weaker in March 2025 vis-à-vis that seen in March 2024.
- Additionally, four of the six use-based categories saw a higher MoM uptick in March 2025 compared to the levels seen in the year-ago month; these include primary (+10.4% in March 2025 vs. +10.1% in March 2024), intermediate (+8.8% vs. +7.4%), infrastructure/ construction (+10.7% vs. +8.7%), and consumer durables (+9.6% vs. +6.6%) goods. In contrast, the output of consumer non-durables (+0.8% vs. +3.5%) and capital goods (+16.8% vs. +23.3%) reported a weaker MoM expansion in March 2025 vs. March 2024.

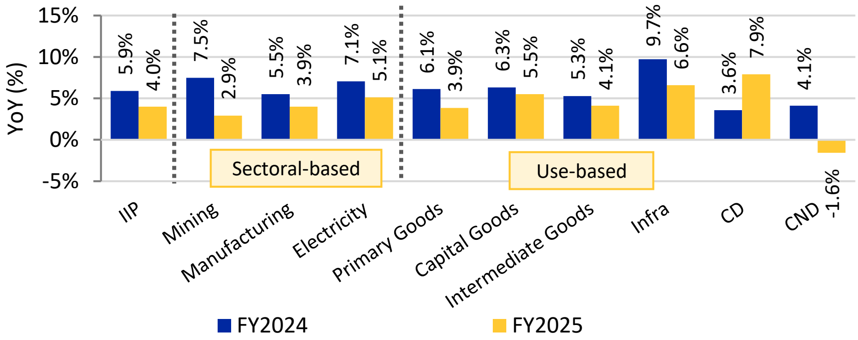
# Industrial output registered a 4-year low growth of 4.0% in FY2025, driven by deceleration across all three sub-sectors

**EXHIBIT: Quarterly performance of IIP, its sectoral and use-based categories**




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

**EXHIBIT: Annual performance of IIP, its sectoral and use-based categories**




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

- The YoY growth in IIP moderated to 3.6% in Q4 FY2025 from 4.1% in Q3 FY2025, entirely led by manufacturing (to +3.9% from +4.5%), even as performance of mining (to +2.1% from +1.8%) and electricity (to +4.2% from +4.1%) sectors witnessed some improvement between these quarters. Slower volume growth, along with YoY increase in commodity prices, is likely to weigh on the industrial GVA growth during the quarter.
- The trend was mixed across the use-based industries, with four of the six categories (consumer durables, intermediate goods, capital goods and consumer non-durables) recording a weaker YoY performance in Q4 FY2025 vis-à-vis Q3 FY2025, while the other two categories (primary goods and infra/construction goods) saw an acceleration in their growth. Nevertheless, the growth in capital and infra goods remained healthy, which supported the industrial sector performance in Q4 FY2025.
- In annual terms, the IIP growth slowed to a 4-year low of 4.0% in FY2025 from 5.9% in FY2024, registering the lowest growth in the post-Covid era. The deterioration was broad based across three sectors, led by the mining output (to +2.9% from +7.5%), followed by electricity (to +5.1% from +7.1%) and manufacturing (to +3.9% from +5.5%). Apart from consumer durables, all the other five use-based categories witnessed a dip in their YoY growth rates in FY2025 compared to FY2024. In fact, the output of consumer non-durables slipped into a YoY decline of 1.6% in FY2025, after a gap of three fiscals.

# YoY performance of electricity demand and auto retail volumes deteriorated in April 2025 vis-à-vis March 2025

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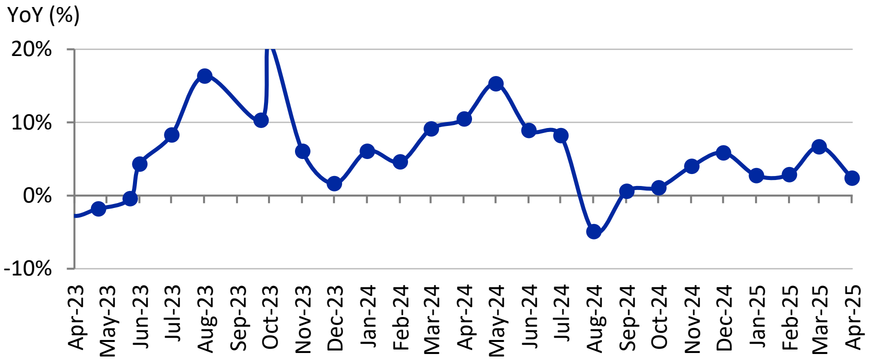
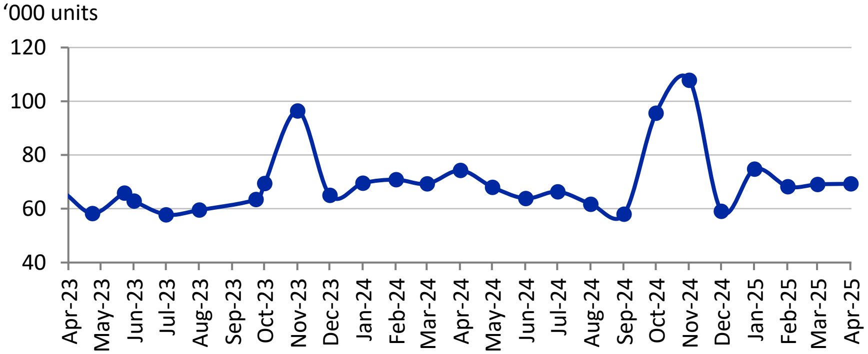
**Exhibit: Electricity Demand at all-India level**




*Data for April 2025 is till April 27, 2025; Source: POSOCO; CEIC; ICRA Research*

**Exhibit: Daily average vehicle registrations at all-India level**




*Data for April 2025 is till April 28, 2025; Source: Vahan, MoRTH; ICRA Research*

- The YoY growth in all-India electricity demand dipped to 2.4% in April 2025 (till April 27) from an eight-month high of 6.7% in March 2025, partly dampened by an unfavourable base (+10.5%/+9.1% in April/March 2024). Nevertheless, given warmer-than-usual temperatures in the ongoing summer season, the average electricity demand remained elevated at 4.9 BU/day during April 1-27, 2025, higher than 4.8 BU/day seen in the previous month. Consequently, the average spot power tariffs in the day-ahead-market (DAM) increased to Rs. 5.2/unit during April 1-28, 2025 from Rs. 4.5/unit in March 2025.
- As per the data provided on the Vahan portal, the average daily vehicle registrations improved marginally by 0.3% MoM to 69.3k units/day during April 1-28, 2025 from 69.1k units/day in March 2025. However, on a YoY basis, the contraction in the daily average volumes widened to 6.8% YoY in April 2025 (up to April 28, 2025) from 0.3% decline seen in March 2025, partly led by the impact of higher-than-usual temperatures on retail footfalls.
- Based on the limited data available, **IIP growth is likely to print at 2.5-4.0% in April 2025.**

# 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 (%)** | | | | | | | | | | |
| **February-25** | 2.7% | 1.6% | 2.8% | 3.6% | 2.8% | 8.2% | 1.0% | 6.8% | 3.7% | -2.1% |
| **March-25** | 3.0% | 0.4% | 3.0% | 6.3% | 3.1% | 2.4% | 2.3% | 8.8% | 6.6% | -4.7% |
| **MoM (%)** | | | | | | | | | | |
| **February-25** | -6.5% | -5.8% | -7.0% | -3.9% | -6.4% | -3.3% | -7.8% | -4.2% | -2.8% | -11.1% |
| **March-25** | 9.1% | 10.5% | 8.4% | 11.9% | 10.4% | 16.8% | 8.8% | 10.7% | 9.6% | 0.8% |
| **March-25 vs. March-19** | 14.4% | 18.2% | 11.3% | 35.6% | 20.1% | 13.7% | 12.1% | 36.6% | 5.2% | -5.6% |
| **Q4 FY2025/Q4 FY2024** | 4.1% | 2.1% | 3.9% | 4.2% | 3.8% | 6.6% | 2.9% | 7.6% | 5.8% | -2.2% |
| **FY2025/FY2024** | 4.0% | 2.9% | 3.9% | 5.1% | 3.9% | 5.5% | 4.1% | 6.6% | 7.9% | -1.6% |

*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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