

INDEX OF INDUSTRIAL PRODUCTION

IIP growth softened to 2.7% in April 2025, albeit printed above expectations amid outperformance of non-core segment

MAY 2025





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The YoY IIP growth decelerated to 2.7% in April 2025 from 3.9% in March 2025, dragged down by the slump in core sector output growth.

In contrast, the non-core segment, which has a sizeable 60% weight in the IIP, saw an uptick in growth to 4.4% from 3.4% in March 2025.

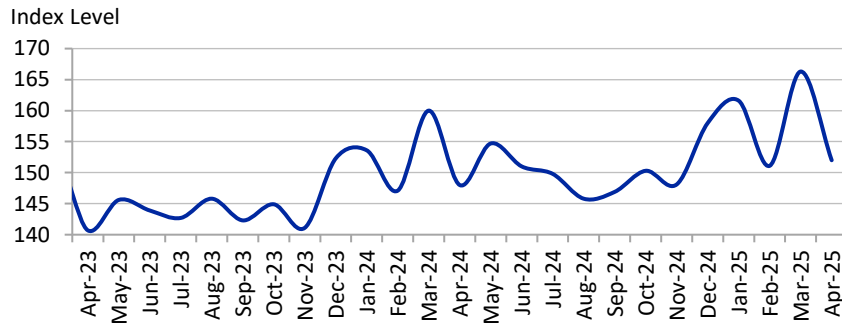
As anticipated, the March 2025 IIP growth has been raised to 3.9% from initial print of 3.0%, with latter likely being underestimated due to the advancement of the data release.

The year-on-year (YoY) growth in the Index of Industrial Production (IIP) moderated to an eight-month low of 2.7% in April 2025 from the upwardly revised 3.9% in March 2025, while printing higher than ICRA's forecast (+1.0%) for the month. The better-than-expected print can be entirely attributed to the non-core segment of the IIP (weight: 59.7%), wherein the YoY growth accelerated to 4.4% in April 2025 from 3.4% in March 2025, even as the combined eight core output growth (weight: 40.3%; to +0.5% from +4.6%) decelerated quite sharply between these months. While the performance of all three sectors, namely, mining, electricity and manufacturing deteriorated in April 2025, compared to the prior month, the trend was mixed in terms of use-based categories, with half of the six seeing an improvement between these months, including capital goods, intermediate goods and consumer non-durables.

- **YoY IIP growth eased to 2.7% in April 2025, albeit printed higher than ICRA's forecast:** The IIP growth moderated to an eight-month low of 2.7% in April 2025 (+5.2% in April 2024) from the upward revised 3.9% in March 2025 (+5.5% in March 2024), while printing much higher than ICRA's forecast (+1.0%) for the month. The YoY growth in the output of the non-core sector (weight in IIP: 59.7%) improved to 4.4% in April 2025 from 3.4% in March 2025, which has supported the IIP growth in April 2025, despite the slump in the core sector growth (weight in IIP: 40.3%; to +0.5% from +4.6%).
- **Slowdown broad based across three sectors, while use-based categories showed mixed trend:** The deceleration in IIP growth was broad based across the three sectors, namely, manufacturing (to +3.4% in April 2025 from +4.0% in March 2025), electricity generation (to +1.1% from an eight-month high +7.5%), and mining (to -0.2% from +1.2%). However, the performance of the use-based sectors was mixed, with three of the six witnessing an improvement including capital goods, intermediate goods, and consumer non-durables.
- **March 2025 IIP growth print underwent upward revision:** As anticipated earlier, the March 2025 IIP growth has been revised upwards sharply to 3.9% from the initial estimate of 3.0%, with the underestimation likely owing to the advancement of the data release by two weeks. The revision was broad based in all three sectors, including mining (revised: +1.2% vs. initial: +0.4%), electricity (+7.5% vs. +6.3%) and manufacturing (+4.0% vs. +3.0%) in March 2025.

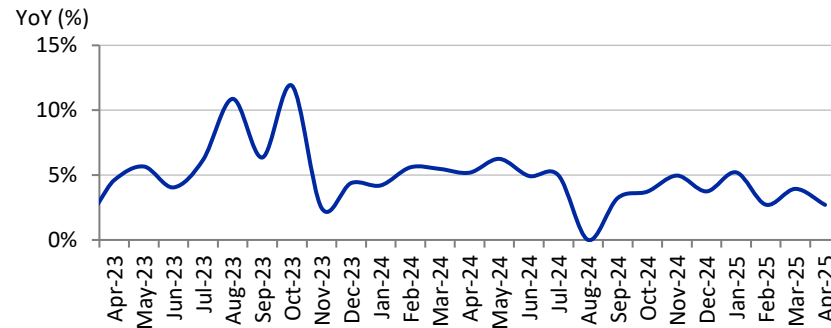
IIP growth expectedly eased to an 8-month low 2.7% in April 2025, albeit printing above ICRA's forecast

EXHIBIT: Trends in index levels of IIP



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

EXHIBIT: Trends in YoY growth of IIP

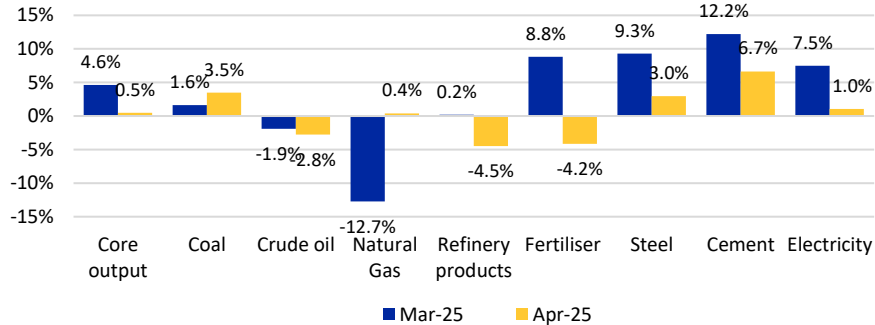


Source: NSO; CEIC; ICRA Research

- The YoY growth in IIP moderated to an eight-month low of 2.7% in April 2025 (+5.2% in April 2024) from upward revised 3.9% in March 2025 (+5.5% in March 2024), while printing much higher than ICRA's forecast (+1.0%) for the month. The core output growth (to +0.5% in April 2025 from +4.6% in March 2025) had decelerated quite sharply between these months, suggesting that the non-core sectors witnessed a relatively healthier growth in April 2025.
- The slowdown in IIP growth was broad based across the three sectors, namely, manufacturing (to +3.4% in April 2025 from +4.0% in March 2025), electricity generation (to +1.1% from an eight-month high +7.5%), and mining (to -0.2% from +1.2%).
- As anticipated earlier, the March 2025 IIP growth has been revised upwards sharply to 3.9% from the initial estimate of 3.0%, with the underestimation likely owing to the advancement of the data release by two weeks. The upward revision stemmed from all three sectors, including mining (revised: +1.2% vs. initial: +0.4%), electricity (+7.5% vs. +6.3%) and manufacturing (+4.0% vs. +3.0%) in March 2025.

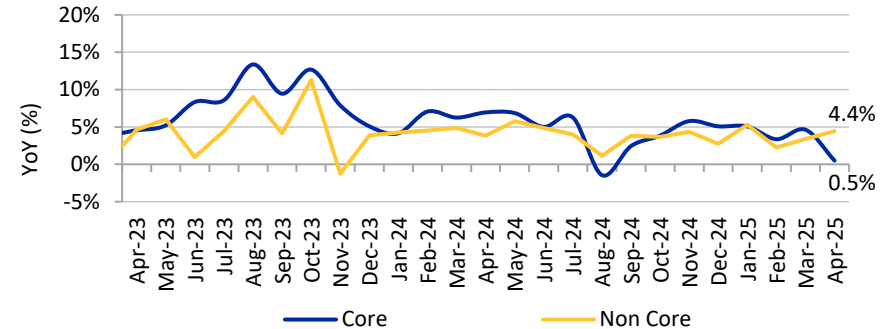
Non-core segment significantly outperformed core sector in April 2025

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

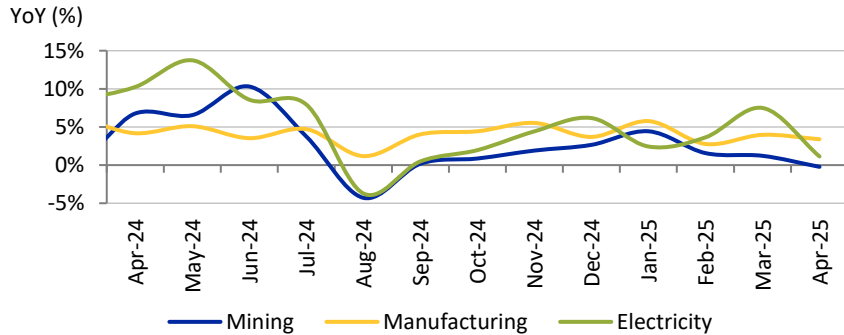


The non-core output is computed by excluding core output from the IIP; Source: Index of Eight Core Industries, Office of Economic Adviser, Ministry of Commerce and Industry; CEIC; ICRA Research

- The performance of the core sector had deteriorated significantly in April 2025, with the YoY growth slumping to an eight-month low of 0.5% in the month (+6.9% in April 2024) from the upward revised 4.6% in March 2025 (+6.3% in March 2024). The deceleration was broad based, led by six of the eight sectors barring coal (to +3.5% in April 2025 from +1.6% in March 2025) and natural gas (to +0.4% from -12.7%).
- Notably, the YoY performance of the output of steel (to a 7-month low of +3.0% in April 2025 from +9.3% in March 2025) and cement (to a 6-month low of +6.7% from +12.2%) sectors moderated quite sharply in April 2025 vis-à-vis March 2025, suggesting that construction activity is likely to have weakened between these months. Additionally, the output of the petroleum refinery (to a 29-month low of -4.5% from +0.2%; in spite of substantial crude oil imports) and fertiliser (to a 14-month low of -4.2% from +8.8%) sectors contracted quite sharply in April 2025 after witnessing YoY growth in March 2025, thereby pulling down the growth in the core index.
- The YoY growth in the output of the non-core sector (weight in IIP: 59.7%) improved to 4.4% in April 2025 from 3.4% in March 2025, which has supported the IIP growth of 2.7% in April 2025, despite the slump in the core sector growth (weight in IIP: 40.3%; to +0.5% from +4.6%).

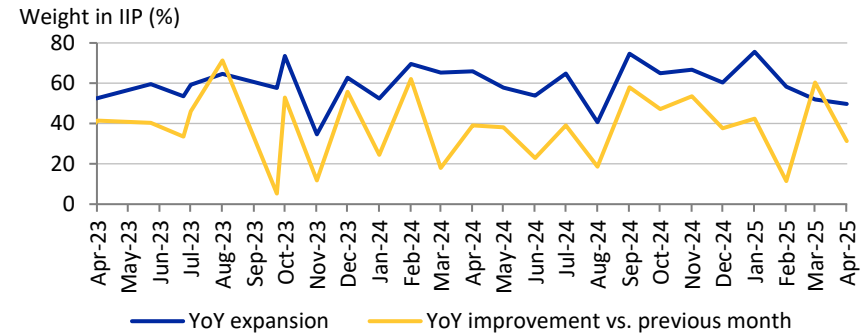
Slowdown in manufacturing growth contained in April 2025 vis-à-vis March, amid improvement in performance of small set of items with relatively higher weights

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

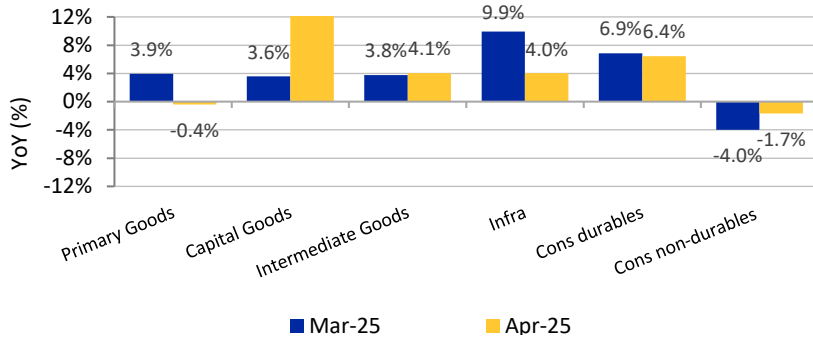


Source: NSO; CEIC; ICRA Research

- The dip in YoY growth in manufacturing output to 3.4% in April 2025 from 4.0% in March 2025, was driven by as many as 14 of the 23 sub-sectors (with a weight of 31.3% in the IIP). This subset includes motor vehicles, trailers and semi-trailers, machinery and equipment n.e.c., food products, wearing apparel, pharma, medicinal chemical and botanical products, fabricated metal products, etc. In contrast, the output of 9 sub-sectors (with a larger weight of 46.4% in the IIP) saw an uptick in their YoY performance in April 2025 vis-à-vis the prior month, namely, basic metals, coke and refined petroleum products, chemical and chemical products, etc.
- The production of 16 of the 23 sub-sectors of manufacturing (with a weight of 49.7% in the IIP) saw a YoY increase in April 2025, while the output of the remaining 7 sub-sectors (with a lower weight of 28.0% in the IIP) contracted in the month.
- The subdued performance of the manufacturing output growth in April 2025 stood at odds with the double-digit expansion in non-oil exports in the month, suggesting that the latter may have been partly driven by round-tripping.

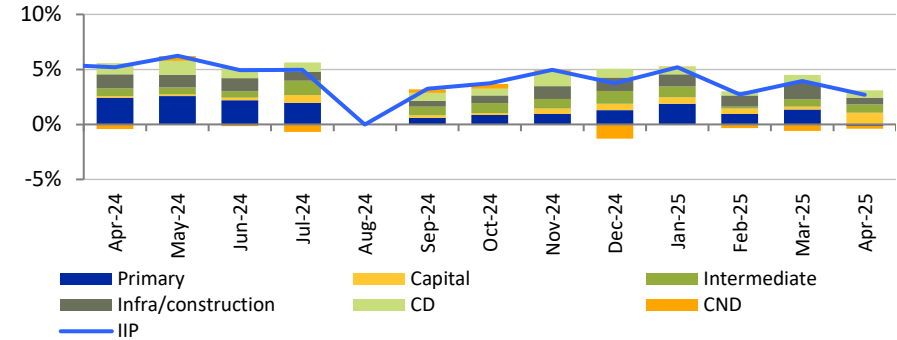
Mixed trend across six use-based categories in April 2025 compared to March 2025

EXHIBIT: YoY trends in IIP (use-based)



Source: NSO; CEIC; ICRA Research

EXHIBIT: Contribution to IIP growth by use-based categories

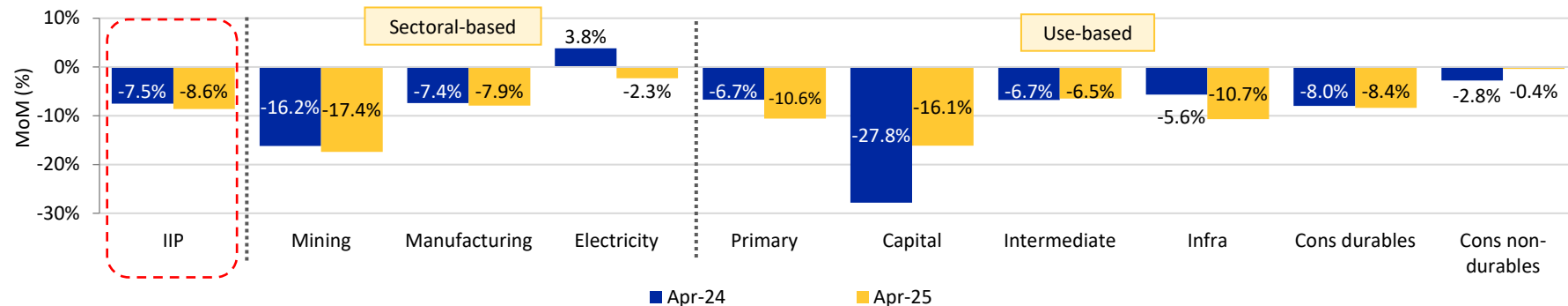


*CD: Consumer durables; CND: Consumer non- durables; Source: NSO; CEIC; ICRA Research

- Three of the six use-based categories saw an improvement in their YoY performance in April 2025 compared to March 2025. These include capital goods (to +20.3% in April 2025 from +3.6% in March 2025, driven by fabricated metal products and machinery equipment), intermediate goods (to +4.1% from +3.8%), and consumer non-durables (to -1.7% from -4.0%, led by food products).
- In contrast, the performance of the remaining three categories deteriorated between these months, including primary goods (to -0.4% from +3.9%, led by electricity generation), infrastructure/construction goods (to a 7-month low of +4.0% from +9.9%, amid moderation in YoY growth in cement and steel output), and consumer durables (to +6.4% from +6.9%).

MoM contraction in industrial output widened in April 2025 vis-à-vis April 2024

EXHIBIT: MoM trends in IIP and its sub-components

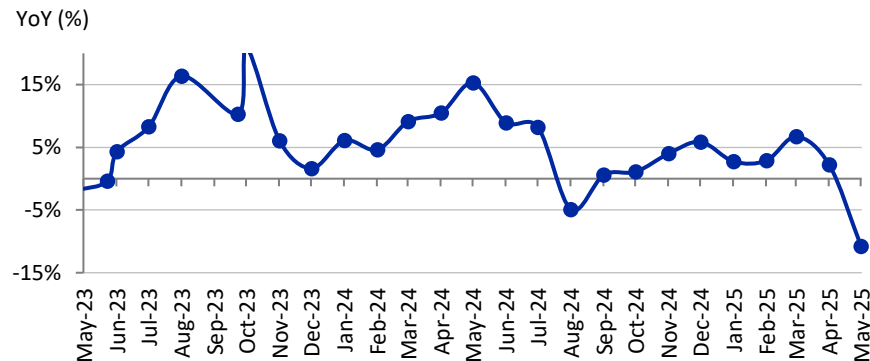


Infra: Infrastructure/ construction goods; Cons durables: Consumer durables; Cons non-durables: Consumer non-durables; Source: NSO; CEIC; ICRA Research

- In MoM terms, industrial output typically witnesses a decline in April following the seasonal uptick in March. However, the contraction in the IIP of 8.6% in April 2025 is slightly steeper than 7.5% in April 2024, amid a broad-based deterioration across the three production sectors; the output of electricity (-2.3% in April 2025 vs. +3.8% in April 2024), manufacturing (-7.9% vs. -7.4%), and mining (-17.4% vs. -16.2%) saw a weaker MoM performance in April 2025 vis-à-vis that seen in April 2024.
- Additionally, three of the six use-based categories saw a weaker MoM performance in April 2025 compared to that seen in the year-ago month; these include primary goods (-10.6% in April 2025 vs. -6.7% in April 2024), infrastructure/ construction goods (-10.7% vs. -5.6%), and consumer durables (-8.4% vs. -8.0%) goods. In contrast, the MoM performance of consumer non-durables (-0.4% vs. -2.8%), capital goods (-16.1% vs. -27.8%), and intermediate goods (-6.5% vs. -6.7%) reported an improvement between these months.

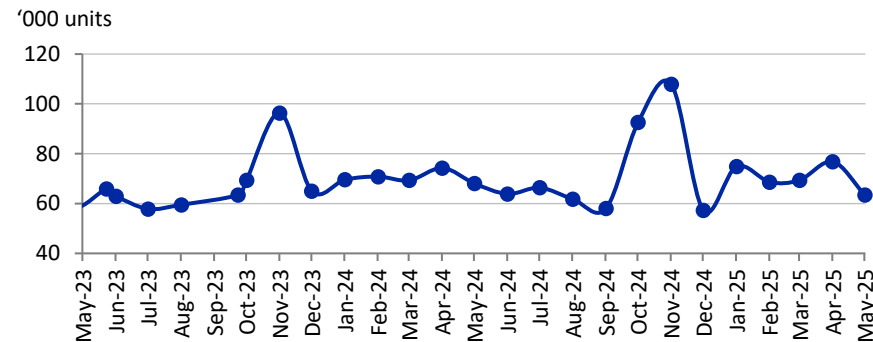
YoY performance of electricity demand and auto retail volumes deteriorated in May 2025 compared to April 2025

Exhibit: Electricity Demand at all-India level



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

Exhibit: Daily average vehicle registrations at all-India level



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

- The all-India electricity demand contracted by a sharp 10.8% YoY in May 2025 (till May 27) after an expansion of 2.2% in April 2025, amid the early onset of South-west monsoon (eight days prior than the normal onset date of May 30) and an unfavourable base (+15.3%/+10.5% in May/April 2024). Consequently, the average electricity demand declined to 4.8 BU/day during May 1-27, 2025 from 5.0 BU/day recorded in May 2024, while remaining in line with the levels seen in the previous month. The average spot power tariffs in the day-ahead-market (DAM) moderated to Rs. 4.3/unit during May 1-28, 2025 from Rs. 5.2/unit in April 2025.
- As per the data provided on the Vahan portal, the average daily vehicle registrations deteriorated sharply by 17.5% to 63.4k units/day during May 1-28, 2025 from 76.8k units/day during April 2025. Additionally, on a YoY basis, the daily average volumes were 6.9% lower in May 2025 (up to May 28, 2025), following a growth of 3.4% in April 2025.

Table A.1: Trends in IIP Growth

		Sectoral			Use-Based Classification					
		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 (%)										
March-25	3.9%	1.2%	4.0%	7.5%	3.9%	3.6%	3.8%	9.9%	6.9%	-4.0%
April-25	2.7%	-0.2%	3.4%	1.1%	-0.4%	20.3%	4.1%	4.0%	6.4%	-1.7%
MoM (%)										
March-25	10.1%	11.4%	9.4%	13.1%	11.3%	18.1%	10.4%	11.9%	9.8%	1.6%
April-25	-8.6%	-17.4%	-7.9%	-2.3%	-10.6%	-16.1%	-6.5%	-10.7%	-8.4%	-0.4%
April-25 vs. April-19	20.2%	21.2%	18.5%	31.6%	20.5%	18.8%	32.7%	41.9%	0.1%	6.0%

Source: NSO; CEIC; ICRA Research

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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