ICRA

INDEX OF INDUSTRIAL PRODUCTION

IIP growth eased to 1.5% in June 2025; lacklustre volume expansion in Q1 FY2026 to weigh on industrial GVA growth in the quarter

JULY 2025

Highlights

ICRA

Click to Provide Feedback

The YoY IIP growth decelerated to a 10-month low of 1.5% in June 2025 from 1.9% in May 2025, trailing ICRA's expectation of a 2.0% uptick.

The non-core segment, which has a sizeable 60% weight in the IIP, saw a sharp moderation in growth to 1.4% in June 2025 from 2.4% in May 2025, weighing upon the overall IIP growth.

The tepid 2.0% YoY growth in the IIP in Q1 FY2026 is likely to weigh on the industrial GVA growth in that quarter.

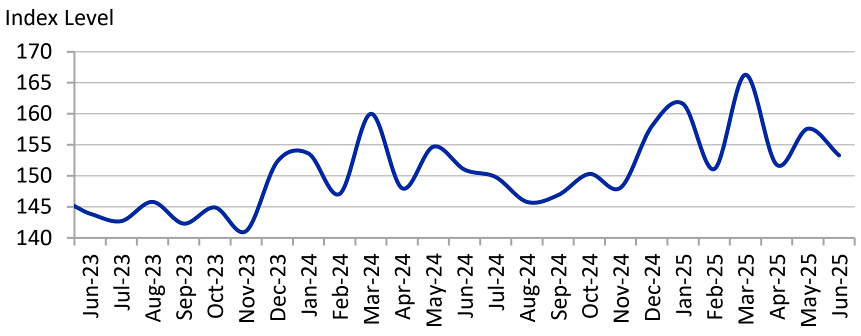
The year-on-year (YoY) growth in the Index of Industrial Production (IIP) eased to a 10-month low of 1.5% in June 2025 from the upward revised 1.9% in May 2025, while slightly trailing ICRA's forecast (+2.0%) for the month. The deceleration was entirely driven by the steeper contraction in mining output, owing to excess rainfall in the second half of June 2025. While this also impacted electricity generation, the extent of the contraction narrowed in June 2025 compared to May 2025. Encouragingly, the growth in manufacturing output improved to 3.9% in June 2025 from 3.2% in May 2025. In terms of the use-based classification, four of the six segments, apart from capital and primary goods, saw an improvement in their YoY performance in June 2025, relative to May 2025. Overall, the industrial volume growth slowed to an 11-quarter low of 2.0% in Q1 FY2026 from 4.0% in Q4 FY2025. Based on this, ICRA expects the industrial GVA growth to decelerate in Q1 FY2026 from the 6.5% uptick seen in the prior quarter.

- **YoY IIP growth decelerated to 1.5% in June 2025:** The IIP growth moderated from the upward revised 1.9% in May 2025, while printing lower than ICRA's forecast (+2.0%). The YoY growth in the output of the non-core sector (weight in IIP: 59.7%) eased to 1.4% in June 2025 from 2.4% in May 2025, while trailing the core sector growth (weight in IIP: 40.3%; to +1.7% from +1.2%), which inched up slightly between these months. The sharp deterioration in the former is likely to have pulled down the YoY IIP growth in June 2025.
- **Weaker IIP growth driven by wider contraction in mining output:** The deceleration in IIP growth was led by the mining sector (58-month low -8.7% in June 2025 vs. -0.1% in May 2025) owing to the excess rains in the latter part of June 2025, while manufacturing growth (+3.9% vs. +3.2%) saw an uptick and the contraction in electricity (-2.6% vs. -4.7%) narrowed. Within the use-based sectors, four of the six categories saw an improvement in June 2025 vis-à-vis May 2025, excluding capital (+3.5% vs. +13.3%) and primary (-3.0% vs. -1.4%) goods.
- **IIP growth pegged at a tepid 2.0% in Q1 FY2026:** The YoY IIP growth halved to 2.0% in Q1 FY2026 (11-quarter low) from 4.0% in Q4 FY2025, with surplus rains dampening electricity generation and mining output. Given this, and the slower, albeit healthy, growth in construction-related volume indicators such cement output and finished steel consumption, ICRA expects the industrial GVA growth to decelerate in Q1 FY2026 from 6.5% in Q4 FY2025.

IIP growth weakened to a 10-month low of 1.5% in June 2025, amid excess rainfall in latter part of month

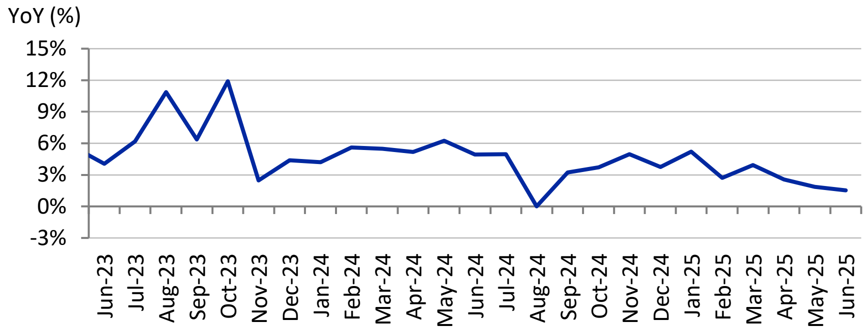
ICRA

EXHIBIT: Trends in index levels of IIP



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

EXHIBIT: Trends in YoY growth of IIP



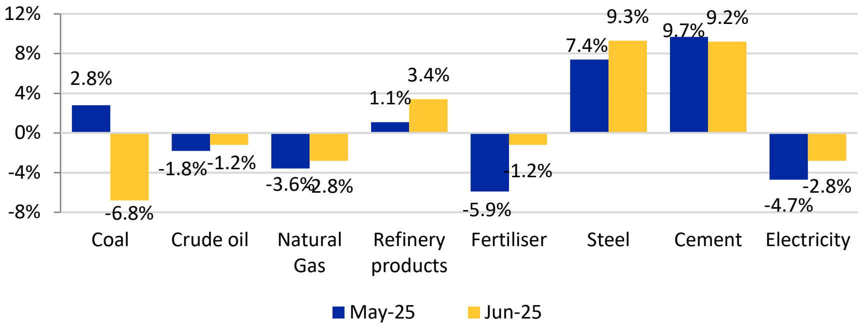
Source: NSO; CEIC; ICRA Research

- The YoY growth in IIP eased to a 10-month low of 1.5% in June 2025 (+4.9% in June 2024) from the upward revised 1.9% in May 2025 (+6.3% in May 2024), slightly lower than ICRA's forecast (+2.0%) for the month. The slowdown was driven by the steeper contraction in the output of the mining sector (to a 58-month low -8.7% in June 2025 from -0.1% in May 2025).
- In contrast, the pace of YoY expansion in the output of the manufacturing sector (to +3.9% in June 2025 from +3.2% in May 2025) inched up in June 2025, vis-à-vis May 2025. Moreover, dampened by excess rainfall in the latter part of June 2025, electricity generation continued to contract (albeit marginally) for the second consecutive month in June 2025, even as the extent of the same narrowed to 2.6% from 4.7% in May 2025.
- Notably, the IIP growth for May 2025 was revised upwards slightly to 1.9% from the initial estimate of 1.2%. While the YoY growth of manufacturing output (revised: +3.2% vs. initial: +2.6%) was raised and the YoY contraction in electricity generation (-4.7% vs.-5.8%) was lowered, the YoY decline in mining (-0.1%) was kept unchanged for May 2025.

Non-core segment trailed the YoY performance of core sector in June 2025

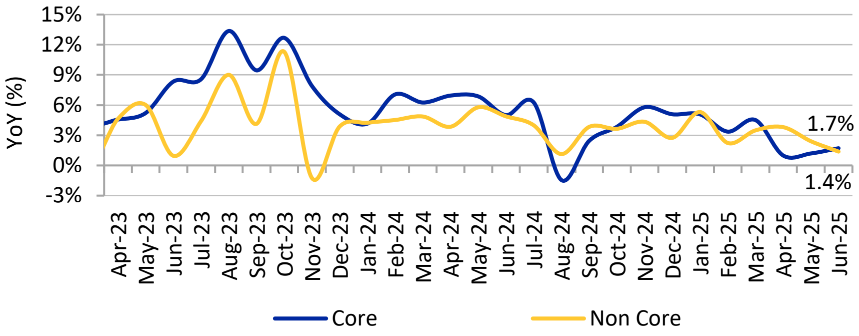
ICRA

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

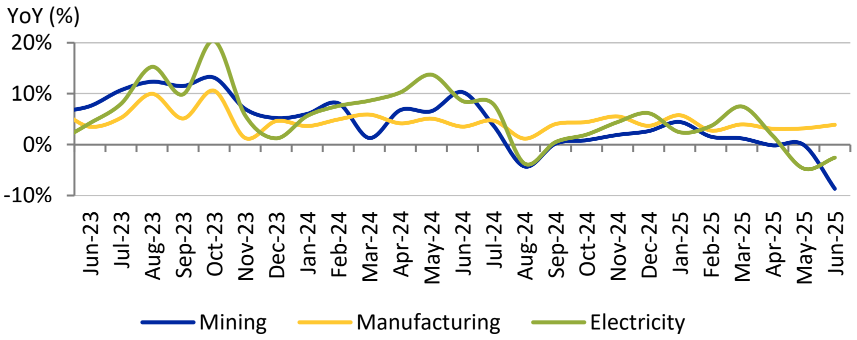


The non-core output is computed by excluding core output from the IIP; Source: Index of Eight Core Industries, Office of Economic Adviser, Ministry of Commerce and Industry; CEIC; ICRA Research

- Although the YoY growth in core output improved slightly to 1.7% in June 2025 from 1.2% in May 2025, it remained tepid, with as many as five of the eight sectors recording a contraction in their output in the month. While an elevated base weighed upon coal output (-6.8% in June 2025 vs. +2.8% in May 2025), excess rains in the latter part of June 2025 impacted electricity demand, and consequently, generation (at -2.8%, albeit narrower than -4.7% in May 2025).
- Encouragingly, the output of the cement and steel sectors rose by a robust 9.2-9.3% in June 2025, although this was supported by a favourable base in the case of the former. The growth in volumes of these segments has been quite healthy in Q1 FY2026 (steel: +7.0%; cement: +8.4%), which implies that the construction sector is poised to record a robust GVA growth in the quarter.
- The YoY growth in the output of the non-core sector (weight in IIP: 59.7%) moderated to a 10-month low of 1.4% in June 2025 from 2.4% in May 2025, while trailing the core sector growth (weight in IIP: 40.3%; to +1.7% from +1.2%) after a gap of two months. A sharp deterioration in the non-core sector, led by segments such as capital goods pulled down the YoY IIP growth in June 2025.

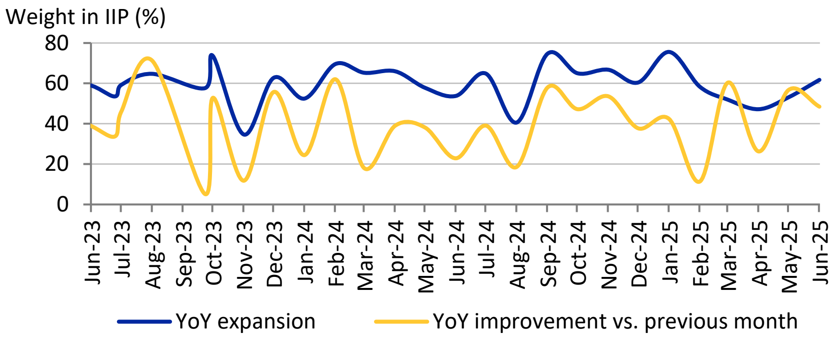
Mining output moderated sharply in June 2025, even as manufacturing growth improved and electricity posted a narrower YoY dip

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

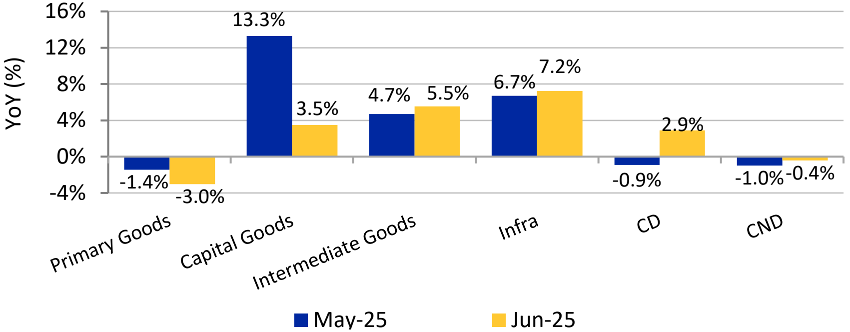


Source: NSO; CEIC; ICRA Research

- The meagre 1.5% growth in the IIP in June 2025 stemmed from YoY contraction in two of the three sectors, including mining (-8.7%) and electricity (-2.6%), mainly impacted by surplus rains. However, manufacturing saw a YoY growth of 3.9%, which supported the overall IIP performance in the month.
- As many as 12 of the 23 sub-sectors (with a large weight of 48.5% in the IIP) contributed to the uptick in manufacturing growth in June 2025, over May 2025, which includes production of basic metals, chemicals, fabricated metal products, coke and refined petroleum products, etc.
- Encouragingly, the production of as many as 15 of the 23 sub-sectors of manufacturing (with a substantial weight of 61.7% in the IIP) witnessed a YoY increase in June 2025, while the output of the remaining 8 sub-sectors (with a lower weight of 15.9% in the IIP) contracted in the month.

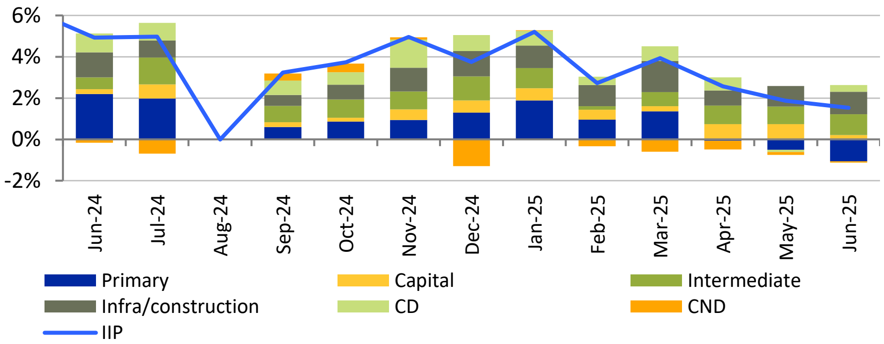
Four of the six use-based categories performed better in June 2025 compared to May 2025

EXHIBIT: YoY trends in IIP (use-based)



Source: NSO; CEIC; ICRA Research

EXHIBIT: Contribution to IIP growth by use-based categories

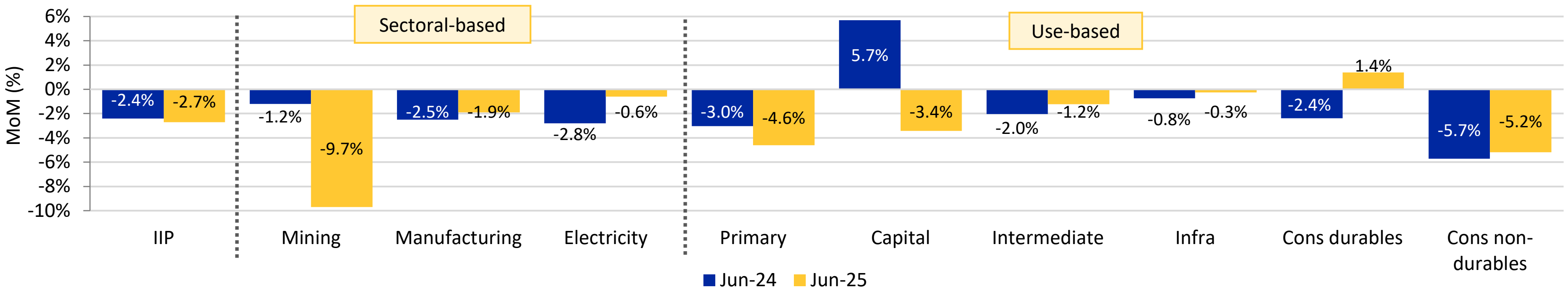


**CD: Consumer durables; CND: Consumer non- durables; Source: NSO; CEIC; ICRA Research*

- In terms of the use-based classification, the slowdown in the IIP growth in June 2025 compared to May 2025 was driven by the sharp deterioration in the performance of capital goods to an eight-month low 3.5% in June 2025 from the high 13.3% in May 2025. Moreover, the YoY contraction in primary goods output widened to 3.0% from 1.4%, reflecting the weaker performance of the mining sector.
- In contrast, the YoY performance of other four categories improved in June 2025, compared to the prior month. These include intermediate goods (to +5.5% in June 2025 from +4.7% in May 2025), infrastructure/construction goods (to a three-month high +7.2% from +6.7%; aided by steel output), consumer durables (to +2.9% from -0.9%) and consumer non-durables (to -0.4% from -1.0%). The contraction in the latter category persisted for the fifth consecutive month in June 2025, suggesting softer demand conditions - this may improve in the near term in the upcoming festive season.

MoM dip in industrial output in June 2025 exceeds that seen in June 2024, with excess rains weighing on mining activity, and sharp turnaround in capital goods

EXHIBIT: MoM trends in IIP and its sub-components

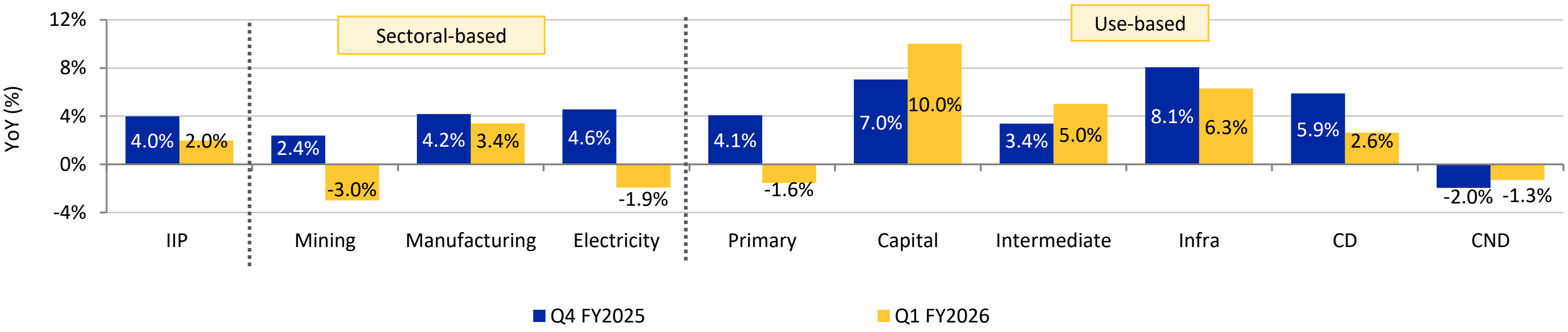


Infra: Infrastructure/ construction goods; Cons durables: Consumer durables; Cons non-durables: Consumer non-durables; Source: NSO; CEIC; ICRA Research

- In line with the typical seasonal sequential dip witnessed in June, the IIP reported a sequential contraction of 2.7% in June 2025, although the extent of the same was slightly steeper than the 2.4% seen in the corresponding year-ago month. This largely emanated from the mining sector, that witnessed a sharp contraction of 9.7% as compared to 1.2% in June 2024, with excess rains in the second half of June 2025 weighing on the output of coal (-8.5% vs. +0.9%; as per eight core output).
- In terms of the use-based categories, only two of the six segments saw a weaker MoM performance in June 2025 vis-à-vis June 2024, including primary goods (-4.6% vs. -3.0%; led by mining and offset by electricity), and capital goods (-3.4% vs. +5.7%; primarily led by manufacture of machinery and equipment). Notably, among the other four categories that reported an improvement, consumer durables output rose by 1.4% in June 2025 (as against a 2.4% decline seen in June 2024), while the output of the other three categories declined in the month.

Industrial output up by a lacklustre 2.0% YoY in Q1 FY2026, which would weigh on industrial GVA growth

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



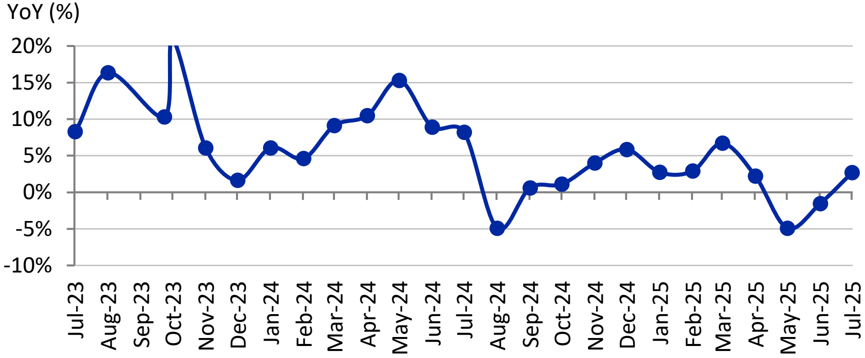
**Infra: Infrastructure/construction goods; CD: Consumer durables; CND: Consumer non- durables; Source: NSO; CEIC; ICRA Research*

- The YoY IIP growth has been reported at a tepid 2.0% in Q1 FY2026 (an 11-quarter low), reflecting the rainfall-led slump in mining output (-3.0%) and electricity generation (-1.9%), even as the manufacturing output rose by 3.4% YoY in the quarter, supported by growth in 11 of the 23 sub-sectors (with 35.8% weight in the IIP, including basic metals, machinery and equipment N.E.C, food products, rubber and plastic products, etc.).
- Compared to Q4 FY2025, the IIP growth slowed in Q1 FY2026, with the trend being broad based across three sectors, namely, mining, manufacturing and electricity. However, the use-based trend is mixed, with deterioration in three of the six segments, including primary goods, infrastructure goods and consumer durables in Q1 FY2026 compared to Q4 FY2025, and improvement in the other three categories – capital goods, intermediate goods and consumer non-durables.
- **Given the tepid IIP growth, and the slower, albeit healthy, growth in construction-related volume indicators such as cement output and finished steel consumption, ICRA expects the industrial GVA growth to decelerate in Q1 FY2026 from the 6.5% uptick seen in Q4 FY2025.**

YoY performance of electricity demand improved while that of auto retail volumes deteriorated in July 2025 so far vs. June 2025

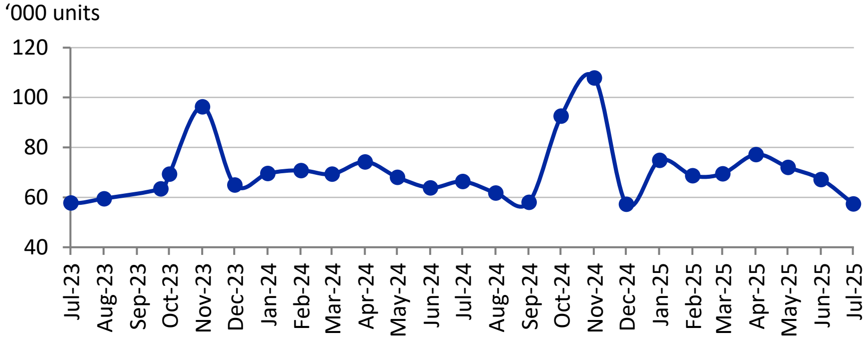
ICRA

Exhibit: Electricity Demand at all-India level



Data for July 2025 is till July 26, 2025; Source: POSOCO; CEIC; ICRA Research

Exhibit: Daily average vehicle registrations at all-India level



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

- The all-India electricity demand reported a YoY growth of 2.7% during July 1-26, 2025, after contracting in each of the previous two months (May 2025/June 2025: -4.9%/-1.5%). The average electricity remained stable at 5.0 BU/day during July 1-26, 2025, in line with the levels seen in June 2025. However, the average spot power tariffs in the day-ahead-market rose to Rs. 4.2/unit in July 2025 (until July 28) from Rs. 3.9/unit in June 2025, albeit remaining lower than Rs. 4.9/unit seen during July 1-28, 2024.
- As per the data provided on the Vahan portal, the average daily vehicle registrations declined by 14.6% MoM to 57.4k units/day during July 1-28, 2025 from 67.2k units/day during June 2025. Additionally, on a YoY basis, such volumes were lower by 13.5% in July 2025 (up to July 28, 2025), following an expansion of 5.3% in June 2025. **Overall, while healthy rural sentiments are expected to support 2W demand, surplus rainfall and high cost of ownership are likely impacting footfalls and conversions. Additionally, PV volumes are expected to be supported by steady model launches, although supply shortage of critical components like rare earth magnets may weigh on production of certain segments, especially for electric vehicles.**

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 (%)										
May-25	1.9%	-0.1%	3.2%	-4.7%	-1.4%	13.3%	4.7%	6.7%	-0.9%	-1.0%
June-25	1.5%	-8.7%	3.9%	-2.6%	-3.0%	3.5%	5.5%	7.2%	2.9%	-0.4%
MoM (%)										
May-25	3.8%	4.4%	4.1%	1.3%	4.4%	10.2%	2.7%	3.1%	1.7%	3.8%
June-25	-2.7%	-9.7%	-1.9%	-0.6%	-4.6%	-3.4%	-1.2%	-0.3%	1.4%	-5.2%
June-25 vs. June-19	18.6%	15.7%	18.1%	25.1%	18.4%	13.1%	23.0%	41.0%	9.0%	4.8%
Q1 FY2026/Q1 FY2025	2.0%	-3.0%	3.4%	-1.9%	-1.6%	10.0%	5.0%	6.3%	2.6%	-1.3%

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

Click to Provide Feedback

Analytical Contact Details

Name	Designation	Email	Contact Number
Aditi Nayar	Chief Economist, and Head- Research and Outreach	aditin@icraindia.com	0124- 4545 385
Rahul Agrawal	Senior Economist	rahul.agrawal@icraindia.com	022 – 6114 3425
Aarzoo Pahwa	Economist	aarzoo.pahwa@icraindia.com	0124 – 4545 835
Tiasha Chakraborty	Economist	tiasha.chakraborty@icraindia.com	0124- 4545 848
Isha Sinha	Associate Economist	isha.sinha@icraindia.com	022 – 6114 3445

Business Development/Media Contact Details

Name	Designation	Email	Contact Number
L Shivakumar	Chief Business Officer	shivakumar@icraindia.com	022-61693304
Neha Agarwal	Head – Research Sales	neha.agarwal@icraindia.com	022-61693338
Rohit Gupta	Head Business Development – Infrastructure Sector	rohitg@icraindia.com	0124-4545340
Vivek Bhalla	Head Business Development – Financial Sector	vivek.bhalla@icraindia.com	022-61693372
Vinita Baid	Head Business Development – East	vinita.baid@icraindia.com	033-65216801
Shivam Bhatia	Head Business Development – Corporate Sector – North & South	shivam.bhatia@icraindia.com	0124-4545803
Sanket Kulkarni	Head Business Development – Corporate Sector – West	sanket.kulkarni@icraindia.com	022-6169 3365
Naznin Prodhani	Head - Group Corporate Communications & Media Relations	communications@icraindia.com	0124-4545860

ICRA

Thank You!