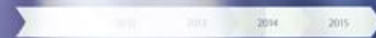




2013

2014

2015



INDEX OF INDUSTRIAL PRODUCTION

IIP growth eased to 3-month low 4.8% in January 2026; set to witness base-led acceleration to 5.0-6.0% in February 2026

MARCH 2026



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YoY IIP growth moderated to lower-than-expected 4.8% in January 2026.

While all three sectors and five use-based categories witnessed a slower growth in January 2026, compared to December 2025, infrastructure output growth soared to a 29-month high 13.7% in January 2026.

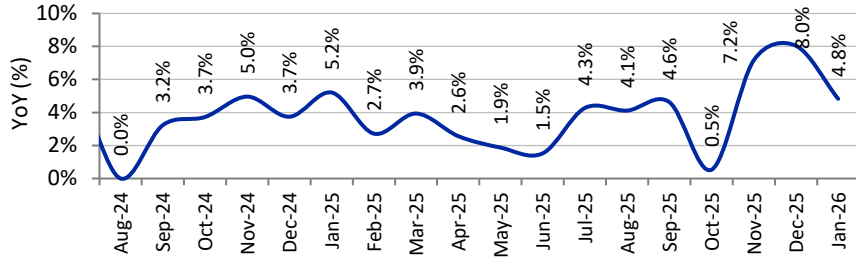
ICRA projects IIP growth to improve to ~5.0-6.0% in February 2026, boosted by a favourable base (Jan/Feb 2025: +5.2%/+2.7%).

While year-on-year (YoY) growth in Index of Industrial Production (IIP) expectedly moderated to 4.8% in January 2026 from the 26-month high 8.0% in December 2025, it printed slightly lower than ICRA's forecast (+5.5%) for the month. The deceleration was broad based, with all the three production-based segments recording a slower growth in January 2026 vis-à-vis December 2025. Manufacturing output growth slowed to a 3-month low 4.8% from 8.4% in December 2025, attributed to an adverse base and some slowdown in output expansion following the ramp up for the festive season and subsequent restocking, amid the prevailing tariff-related uncertainty. Besides, five of the six use-based segments saw a deterioration in their YoY performance in January 2026 vis-à-vis December 2025, barring infrastructure/construction goods, which posted a double-digit growth for the third consecutive month, suggesting that construction activity continued to remain quite strong. Looking ahead, ICRA expects the favourable base to push up the IIP growth to 5.0-6.0% in February 2026 (January/February 2025: +5.2%/+2.7%).

- **January 2026 IIP growth slows to 3-month low 4.8%:** While IIP growth expectedly moderated to 4.8% in January 2026 from the upward revised 8.0% in December 2025, it printed slightly lower than ICRA's forecast (+5.5%) for the month. This was driven by moderation in the growth of both core (to +4.0% from +4.7%) and non-core output (to +5.4% from +10.6%), even as the latter continued to outperform the former for the fifth consecutive month.
- **Broad-based deceleration across sectors and use-based segments:** The growth in the output of all three-sectors, namely, mining (to +4.3% from +6.9%), electricity (to +5.1% from +6.3%) and manufacturing (to +4.8% from +8.4%, led by adverse base, cooling in the post-festive/GST cut period and tariff-related uncertainty) eased in January 2026 relative to December 2025. Besides, five of the six use-based segments saw a deterioration in their YoY performance between these months, barring infrastructure/construction goods, which posted a double-digit growth for the third consecutive month. The consumer non-durables segment reverted to the contractionary territory in January 2026 (-2.7%), after expanding by a strong 8.0-8.5% in each of the last two months.
- **IIP growth set to witness base-led uptick to 5-6% in February 2026:** ICRA expects the IIP growth to inch up to ~5.0-6.0% in February 2026, aided by a favourable base (January/February 2025: +5.2%/+2.7%).

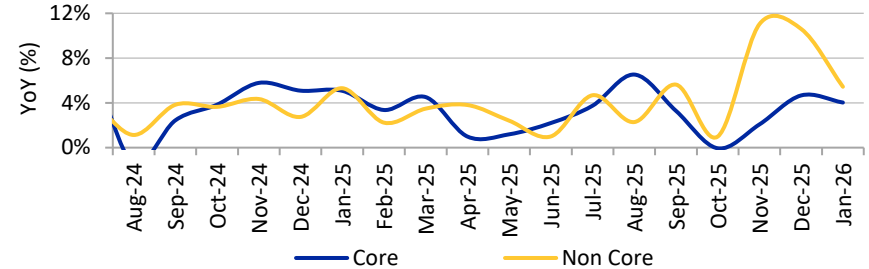
IIP growth moderated to lower-than-expected 4.8% in January 2026

EXHIBIT: IIP growth fell sharply to 4.8% in January 2026 (+5.2% in January 2025) from the 26-month high 8.0% in December 2025 (+3.7% in December 2024), and also trailed our estimate of 5.5% for the month



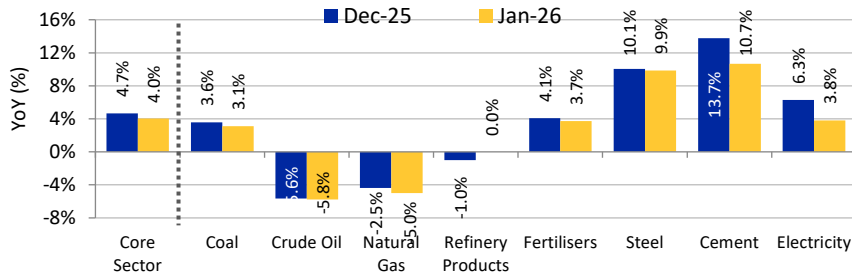
Source: NSO; CEIC; ICRA Research

EXHIBIT: This was driven by moderation in the growth of both core (to +4.0% from +4.7%) and non-core output (to +5.4% from +10.6%), even as the latter continued to outperform the former for the fifth consecutive month



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

EXHIBIT: As many as seven of the eight core sectors witnessed a deterioration in their YoY growth performance in January 2026 vs. December 2025



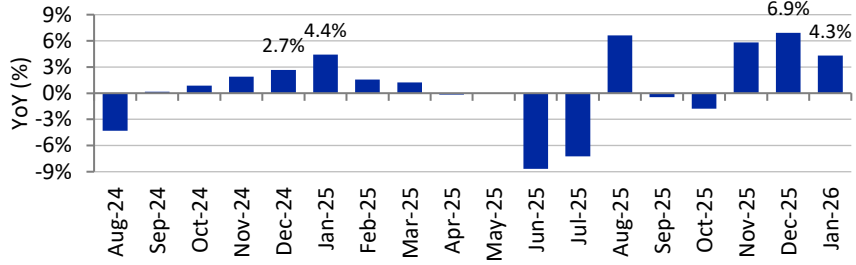
Source: Index of Eight Core Industries, Office of Economic Adviser, Ministry of Commerce and Industry; CEIC; ICRA Research

- The YoY growth in non-core sector output (weight in IIP: 59.7%) dipped sharply to 5.4% in January 2026 from double-digit expansion in the previous two months (+10.6%/+11.0% in Dec/Nov 2025).
- The YoY growth in core output eased to 4.0% in January 2026 from the upward revised 4.7% in December 2025. The slowdown was broad-based, with as many as seven of the eight sectors witnessing a deterioration in their YoY growth performance, including coal, electricity, crude oil, natural gas, etc.
- While the growth in the construction-related indicators (cement and steel output) eased in January 2026 relative to December 2025, it remained quite robust, printing at ~9-11% in the month, suggesting that construction activity is likely to have remained buoyant.

Broad-based deceleration in output of all sub-sectors dampened the YoY IIP growth in January 2026 vs. December 2025

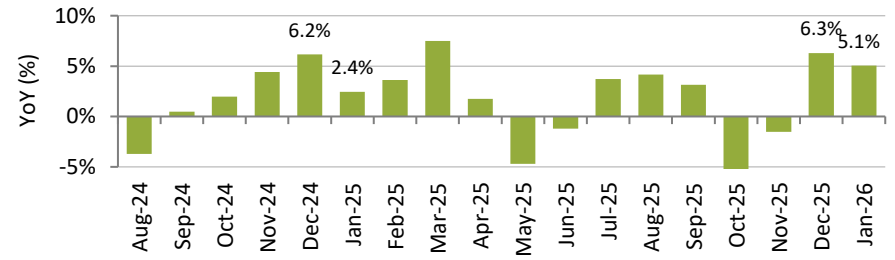


EXHIBIT: Growth in mining output slowed to a three-month low of 4.3% in January 2026 from 6.9% in December 2025, amid a deterioration in the YoY performance of coal, crude oil, and natural gas output



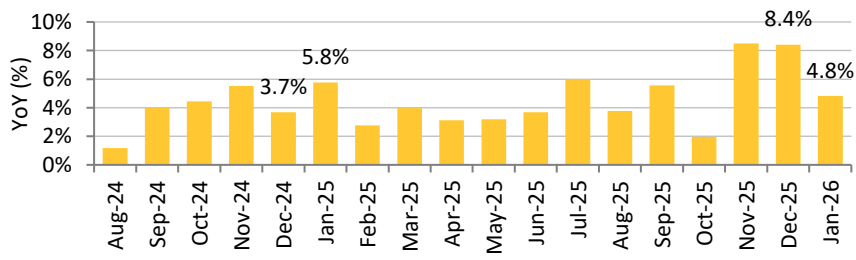
Source: NSO; CEIC; ICRA Research

EXHIBIT: The pace of expansion in electricity generation eased to 5.1% in January 2026 (+2.4% in January 2025) from 6.3% in the prior month (+6.2% in December 2024), despite a favourable base



Source: NSO; CEIC; ICRA Research

EXHIBIT: The pace of YoY expansion in the output of the manufacturing sector fell sharply to 4.8% in January 2026 from 8.4% in December 2025, partly driven by an adverse base

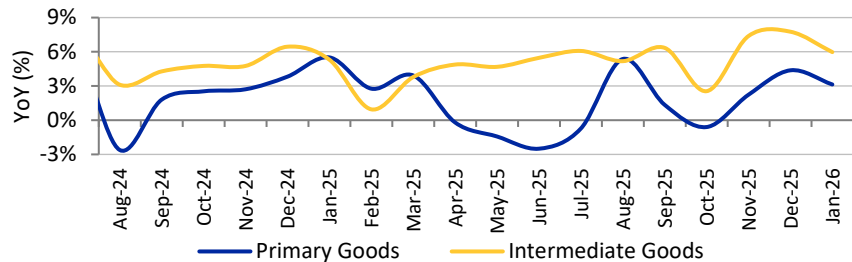


Source: NSO; CEIC; ICRA Research

- The slowdown in the output of the manufacturing sector to a three-month low of 4.8% in January 2026 from 8.4% in December 2025, was particularly sharp. This reflects an adverse base (December 2025/January 2026: +3.7%/+5.8%) as well as some slowdown in output expansion following the ramp up for the festive season and subsequent restocking, amid the prevailing tariff related uncertainties.
- The YoY performance of 17 of the 23 sub-sectors of manufacturing (with a substantial weight of 52.0% in the IIP) deteriorated in January 2026 vs. December 2025 (basic metals, motor vehicles, machinery and equipment, pharma, etc.), while the remaining six sectors saw an acceleration (chemicals, wood products, coke and refined petroleum products, etc.).

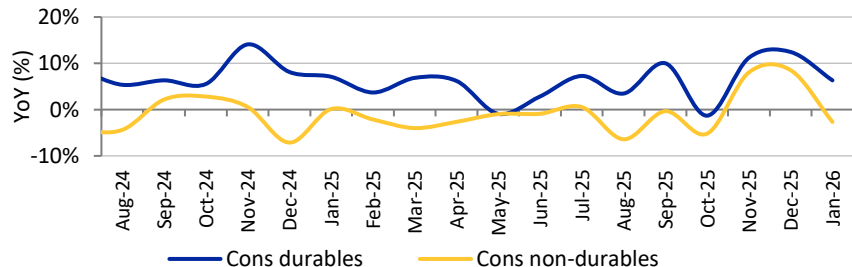
Growth in five of the six use-based categories, apart from infra/construction goods, deteriorated in January 2026 vs. December 2025

EXHIBIT: Mirroring the trends in mining and electricity, growth in primary goods' output eased to 3.1% in January 2026 from 4.4% in December 2025; growth in intermediate goods also slowed to 6.0%, albeit remaining healthy



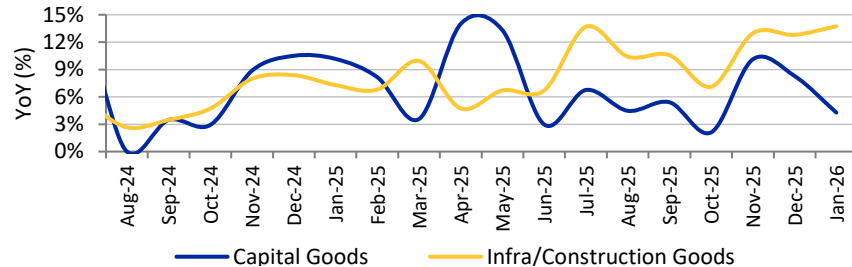
Source: NSO; CEIC; ICRA Research

EXHIBIT: Growth in consumer durables (to +6.3% from +12.4%) weakened in January 2026, relative to December 2025; output of consumer non-durables reverted to the contractionary zone (-2.7% YoY), after a gap of two months



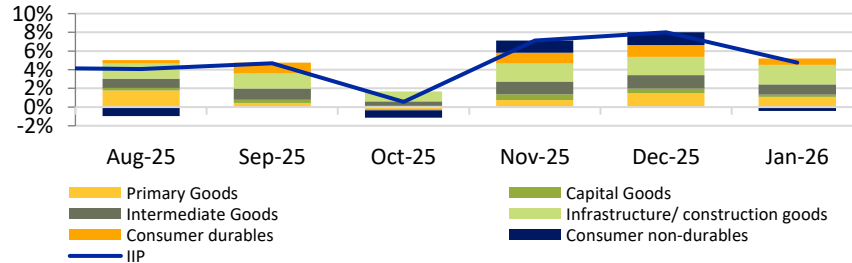
Source: NSO; CEIC; ICRA Research

EXHIBIT: Infra/construction was the only use-based category to witness an improvement in YoY growth in January 2026 (+13.7%) vs. December 2025 (+12.8%); growth in capital goods' output halved to 4.3% from 8.3%, , resp.



Source: NSO; CEIC; ICRA Research

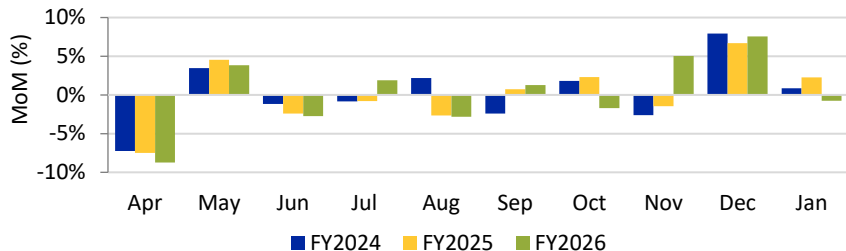
EXHIBIT: Primary (-41 bps), consumer (-239 bps), capital (-23 bps), and intermediate (-34 bps) goods exerted a drag on the IIP in January 2026 vs. December 2025; infra goods' output supported the IIP performance by 15 bps



Source: NSO; CEIC; ICRA Research

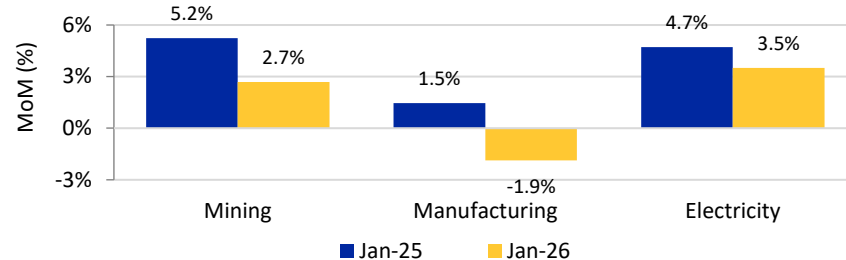
IIP recorded sequential dip in January 2026 vs. an expansion in year ago month

EXHIBIT: While IIP typically witnesses a muted sequential uptick in January, it declined in January 2026 following the relatively sharper upward momentum seen in November-December 2025



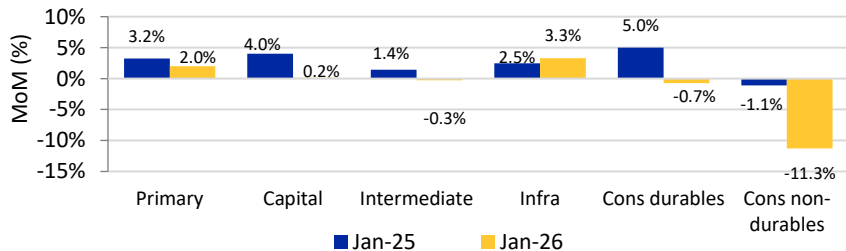
Source: NSO; CEIC; ICRA Research

EXHIBIT: This contraction was led by lower MoM growth in electricity and mining in January 2026 vis-à-vis January 2025, as well as a decline in manufacturing output



Source: NSO; CEIC; ICRA Research

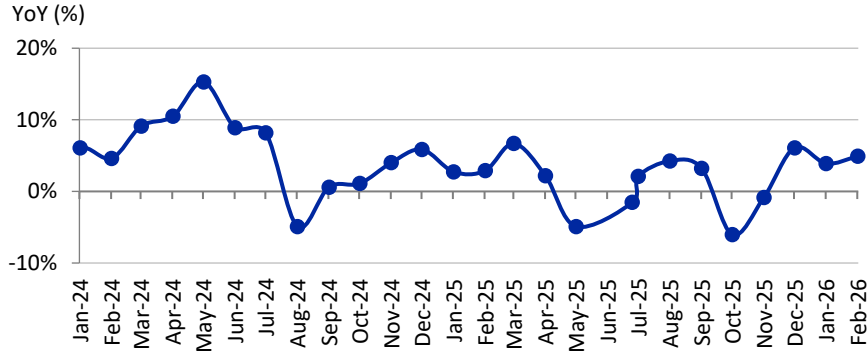
EXHIBIT: Five of the six use-based categories (barring infra goods) displayed a weaker MoM performance in January 2026 vs. January 2025; consumer non-durables witnessed a particularly sharp decline in the month



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

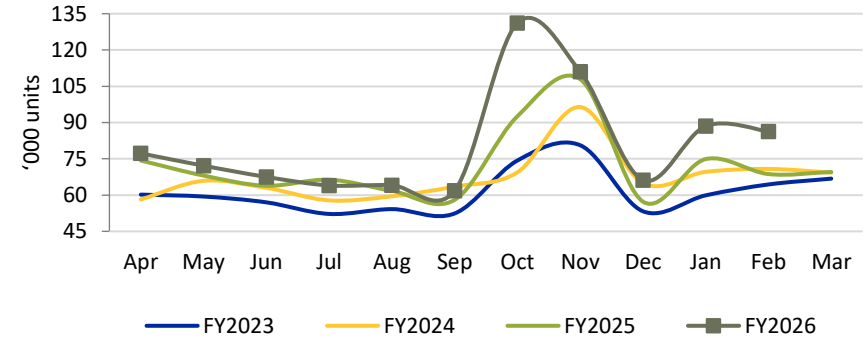
- Industrial output reported a 0.8% MoM dip in January 2026, following robust growth in the previous two months which was supported by GST rate cuts as well as festive season demand. With this, the Index level has risen by 11.6% between August 2025 and January 2026, slightly higher than the 10.8% expansion seen in the year-ago period.
- Notably, manufacturing output witnessed a turnaround, contracting by 1.9% MoM in January 2026 relative to a growth of 1.5% in January 2025; however, this needs to be seen in the context of the strong performance of the sector in Nov-Dec 2025.
- Within manufacturing, manufacture of consumer and intermediate goods like beverages (-2.8% in Jan 2026 vs. +4.0% in Jan 2025), wearing apparel (-10.3% vs. +3.2%), leather products (-7.7% vs. -6.1%), rubber and plastics products (-3.8% vs. +5.2%), textiles (-3.7% vs. +3.6%), pharma, medicinal chemical and botanical products (-7.2% vs. +0.2%) pulled down output on a MoM basis in January 2026.

EXHIBIT: YoY trends in electricity demand at all-India level



Source: POSOCO; CEIC; ICRA Research

EXHIBIT: Average daily vehicle registrations at all-India level



Source: Vahan, MoRTH; ICRA Research

- The growth in all-India electricity demand accelerated to 4.9% YoY (average demand of 4.8 BU) in February 2026 from 3.9% in January 2026 (average of 4.6 BU). Nevertheless, the average spot power tariffs in the day-ahead-market (DAM) eased to Rs. 3.6/unit during February 2026 from Rs. 3.9/unit January 2026.
- As per the data available on the Vahan portal, the average daily vehicle registrations increased by a strong ~26% YoY to 86.3k/units in February 2026 (vs. +18.2% in January 2026), compared to ~69k/units in the corresponding year-ago period. However, these were ~3% lower than the levels seen during January 2026. Overall, the YoY growth in vehicle registrations has been quite robust since October 2025, reflecting the favourable impact of the GST rate cuts on demand.

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 (%)										
December-25	8.0%	6.9%	8.4%	6.3%	4.4%	8.3%	7.8%	12.8%	12.4%	8.5%
January-26	4.8%	4.3%	4.8%	5.1%	3.1%	4.3%	6.0%	13.7%	6.3%	-2.7%
MoM (%)										
December-25	7.6%	8.1%	6.8%	13.0%	9.0%	5.7%	7.7%	10.0%	3.0%	6.0%
January-26	-0.8%	2.7%	-1.9%	3.5%	2.0%	0.2%	-0.3%	3.3%	-0.7%	-11.3%
Apr-Jan FY2025 (YoY)	4.2%	3.4%	4.2%	5.1%	4.1%	5.6%	4.6%	6.4%	8.5%	-1.2%
Apr-Jan FY2026 (YoY)	4.0%	0.6%	4.9%	0.9%	1.1%	7.0%	5.6%	10.0%	5.7%	0.0%

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	2.16
	Electricity	Electricity	7.99		Bars and Rods of Mild steel	Basic Metals	1.35
	Diesel	Coke and refined petroleum	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	1.15	Consumer Non-durables (Wt.=15.3%)	API & formulations of vitamins	Pharmaceuticals, medicinal chemical and botanical	0.85
	MS blooms/ billets/ ingots/ pencil ingots	Basic Metals	0.95		Sugar	Food	0.76
	MS slabs	Basic Metals	0.84		Steroids and hormonal preparations	Pharmaceuticals, medicinal chemical and botanical	0.72

Source: NSO; CEIC; ICRA Research



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