

INDEX OF INDUSTRIAL PRODUCTION

IIP growth accelerated to 5.2% in February 2026; expected to weaken to ~3-4% in March 2026, amid adverse impact of West Asia conflict

MARCH 2026



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YoY IIP growth improved to 5.2% in February 2026, aided by a low base.

This was driven by an improvement in the YoY performance of the manufacturing sector as well as four out of six use-based categories, apart from primary and infra goods.

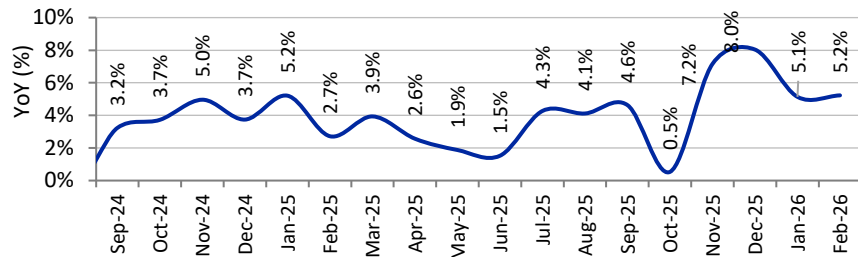
ICRA projects IIP growth to weaken to ~3-4% in March 2026, amid the adverse impact of the ongoing West Asia conflict on manufacturing output.

The year-on-year (YoY) growth in Index of Industrial Production (IIP) accelerated to 5.2% in February 2026 from the upward revised 5.1% in January 2026, aided by a favourable base, while exceeding ICRA's forecast (+4.0%) for the month. The slight sequential uptick in the IIP growth in February 2026 vis-à-vis January belied the halving seen in the core sector expansion. This improvement was entirely driven by the manufacturing sector, which expanded by a healthy 6.0% in February 2026, even as the electricity and mining sectors witnessed a deceleration in their YoY growth rates. Moreover, four of the six use-based segments saw an improvement in their YoY growth in February 2026 vis-à-vis January, barring primary and infrastructure/construction goods. Looking ahead, ICRA expects the YoY IIP growth to decelerate to ~3-4% in March 2026, amid the unfolding adverse impact of the West Asia crisis on some manufacturing segments.

- **IIP growth inched up to 5.2% in February 2026:** The YoY IIP growth improved to a higher-than-expected 5.2% in February 2026 (ICRA P: +4.0%) from the upward revised 5.1% in January 2026 for the month (initial: +4.8% YoY). This was entirely driven by an uptick in the growth of the non-core segment (to +7.5% from +5.5%), while that for the core sector (to +2.3% from +4.7%) halved between these months.
- **Improvement in IIP growth entirely driven by manufacturing sector:** While the growth in the output of the manufacturing sector (to +6.0% from +5.3%) improved in February 2026 vs. January 2026, that for electricity (to +2.3% from +5.1%) and mining (to +3.1% from +4.3%) slowed between these months. Besides, four of the six use-based segments saw an improvement in their YoY performance in February 2026 vis-à-vis January, barring primary and infrastructure/construction goods, even as the latter witnessed a double-digit growth for the fourth consecutive month, suggesting that construction activity has remained quite robust.
- **IIP growth to ease to ~3-4% in March 2026:** ICRA expects the YoY IIP growth to weaken to ~3-4% in March 2026, amid the unfolding adverse impact of the West Asia crisis on some manufacturing segments, both through the price and availability channels, as well as weaker electricity performance in the month.

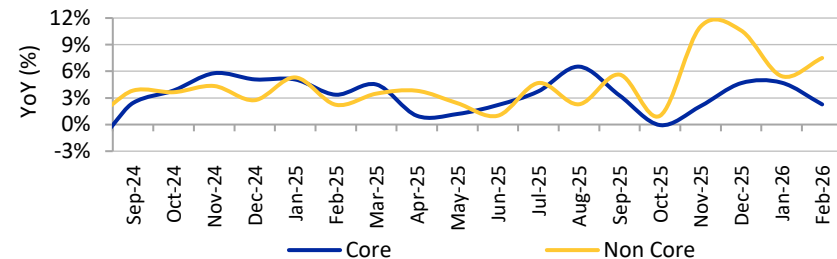
IIP growth improved to higher-than-expected 5.2% in February 2026, supported by favourable base

EXHIBIT: IIP growth inched up to 5.2% in February 2026 (ICRA's forecast: +4.0%; +2.7% in February 2025) from the upward revised 5.1% in January 2026 (+5.2% in January 2025), partly aided by a favourable base



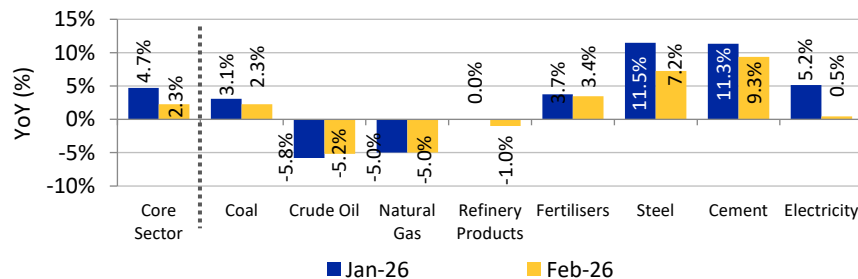
Source: NSO; CEIC; ICRA Research

EXHIBIT: This was entirely driven by the uptick in growth of the non-core segment (to +7.5% from +5.5%), while that for the core sector (to +2.3% from +4.7%) moderated



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: The YoY growth of the core sector halved to a three-month low of 2.3% in February 2026 from 4.7% in January 2026

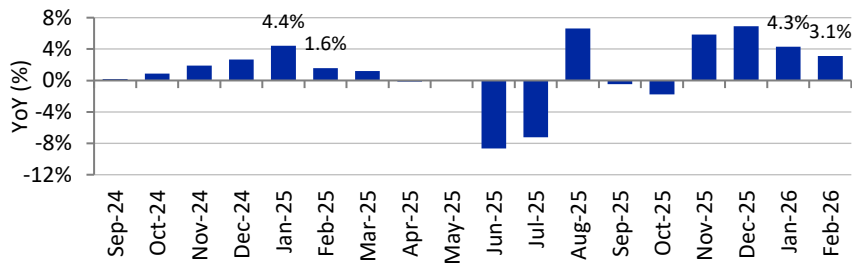


Source: Index of Eight Core Industries, Office of Economic Adviser, Ministry of Commerce and Industry; CEIC; ICRA Research

- The YoY growth in non-core sector output (weight in IIP: 59.7%) improved to an estimated 7.5% in February 2026 from the three-month low of 5.5% in January 2026, partly aided by a favourable base (+5.3%/+2.2% in Jan/Feb 2025).
- However, the YoY growth in core output eased sharply to 2.3% in February 2026 from 4.7% in January 2026, led by a broad-based slowdown in the output of most sectors, apart from crude oil (to -5.2% from -5.8%).
- Notably, the output of only two core sectors, namely cement (+9.3%) and steel (+7.2%) recorded a YoY growth that was above 3.5% in February 2026, pointing to a healthy growth in construction activity in the month.

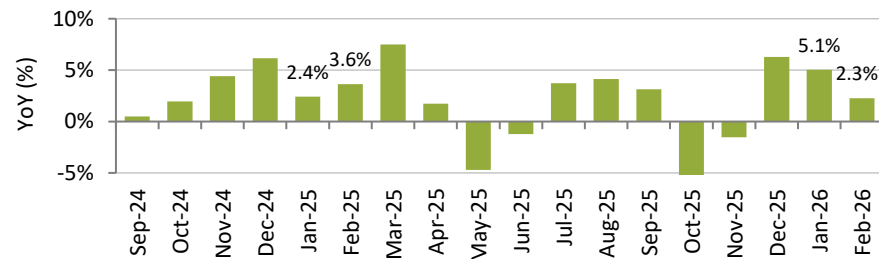
Growth in manufacturing sector rose in February 2026 vs. January 2026, even as that in mining and electricity decelerated

EXHIBIT: Growth in mining output slipped to a four-month low of 3.1% in February 2026 from 4.3% in January 2026, stemming from deceleration in coal output growth (to +2.3% from +3.1%) between these months



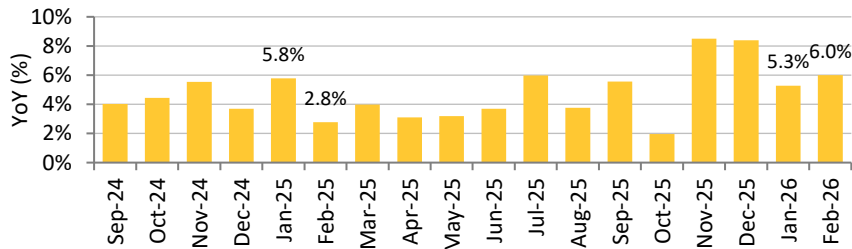
Source: NSO; CEIC; ICRA Research

EXHIBIT: The pace of expansion in electricity generation eased for the second consecutive month, halving to 2.3% in February 2026 from 5.1% in January 2026



Source: NSO; CEIC; ICRA Research

EXHIBIT: On the contrary, the pace of YoY expansion in the output of the manufacturing sector improved to 6.0% in February 2026 (+2.8% in Feb 2025) from 5.3% in January 2026 (+5.8% in Jan 2025), partly backed by the low base

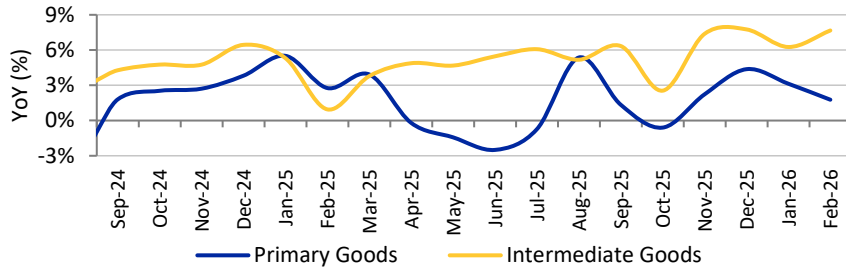


Source: NSO; CEIC; ICRA Research

- Within the manufacturing sector, the YoY performance of 12 of the 23 sub-sectors (with a substantial weight of 45.3% in the IIP) improved in February 2026 vs. January 2026; these include textiles, leather, coke and refined petroleum products, motor vehicles, trailers and semi-trailers, pharma, etc.
- The remaining 11 sectors (with a weight of 32.3% in the IIP; including wood products, food products, basic metals, beverages, tobacco products, etc.) saw a deterioration in their YoY performance between these months.
- As many as nine of the 23 manufacturing segments (with a weight of 24.2% in the IIP) witnessed a YoY contraction in February 2026, as against 8 in January 2026. Besides, only four segments saw a double-digit expansion in the month, as against seven in the previous month.

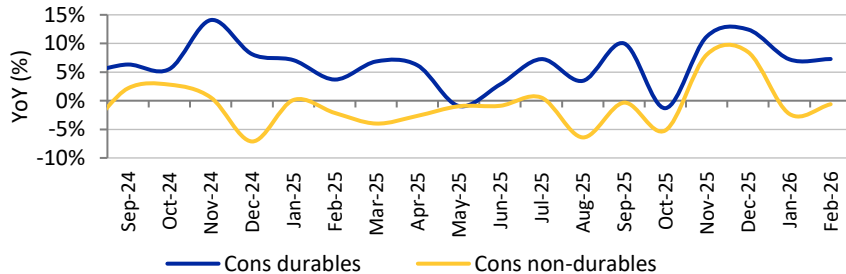
YoY growth in four of the six use-based categories improved in February 2026

EXHIBIT: In line with trends in mining and electricity, growth in primary goods dipped to 1.8% in February 2026 from 3.1% in January 2026; however, growth in intermediate goods rose to 7.7% from 6.3%, respectively



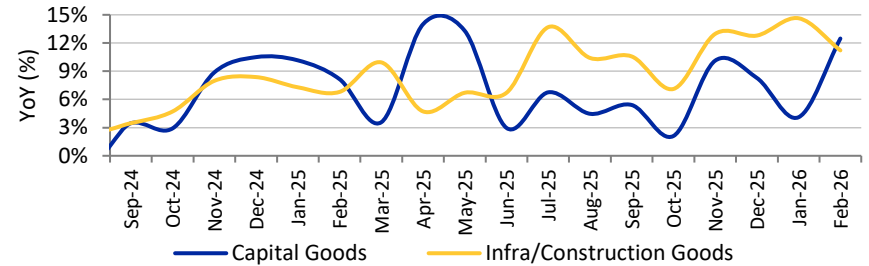
Source: NSO; CEIC; ICRA Research

EXHIBIT: Growth in consumer durables (to +7.3% in Feb 2026 from +7.2% in Jan 2026) was largely stable in February 2026, while the YoY contraction in consumer non-durables narrowed to just 0.6% from 2.3% in January 2026



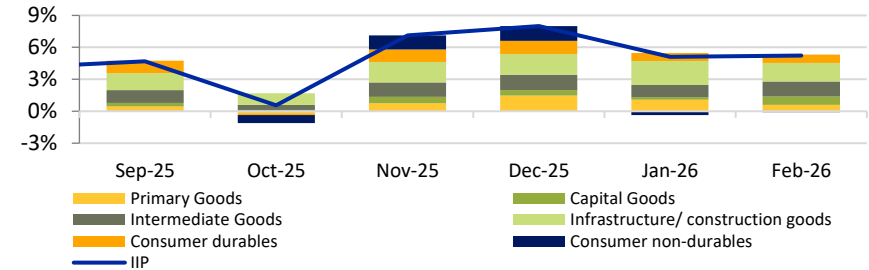
Source: NSO; CEIC; ICRA Research

EXHIBIT: YoY expansion in infra goods eased to 11.2% in February 2026 from 14.6% in January, while staying in double-digits for the fourth straight month; capital goods growth rebounded to 12.5% from 4.1%, respectively



Source: NSO; CEIC; ICRA Research

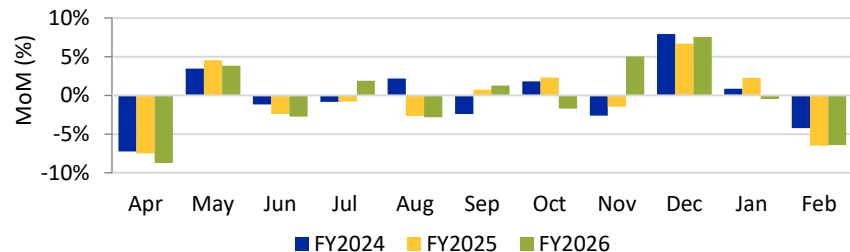
EXHIBIT: Capital (53 bps), intermediate (24 bps) and consumer goods (30 bps) contributed to the mild rise in IIP growth in February 2026 vs January, which was mostly offset by easing in primary and infra goods (-95 bps in total)



Source: NSO; CEIC; ICRA Research

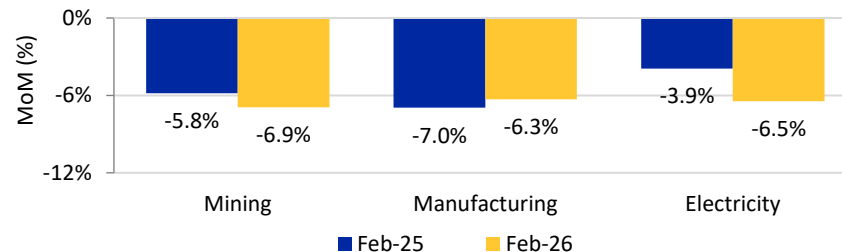
IIP expectedly recorded sequential dip in February 2026, amid lower number of working days in the month

EXHIBIT: In line with the typical sequential dip seen in industrial activity in February, IIP contracted by 6.4% in February 2026 vs. 6.5% in year-ago month



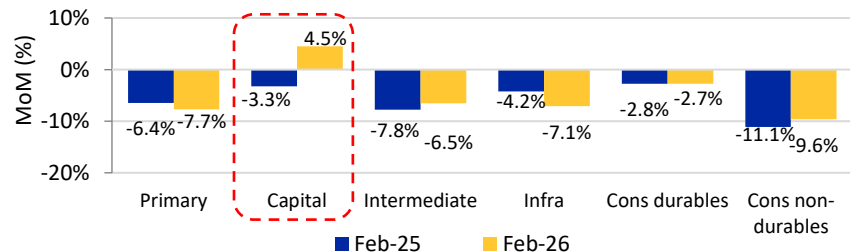
Source: NSO; CEIC; ICRA Research

EXHIBIT: All three sectors reported a dip of over 6% MoM in the month; mining and electricity saw a larger sequential dip in February 2026 vis-à-vis February 2025



Source: NSO; CEIC; ICRA Research

EXHIBIT: Four of the six use-based categories (barring primary and infra goods) displayed a stronger MoM performance in February 2026 vs. February 2025; capital goods witnessed a particularly sharp turnaround in the month

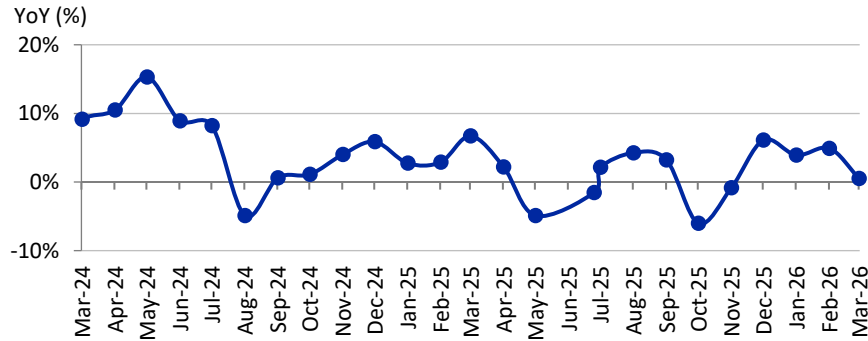


Infra: Infrastructure/ construction goods; Cons durables: Consumer durables; Cons non-durables: Consumer non-durables; Source: NSO; CEIC; ICRA Research

- Following a robust sequential growth in November-December 2025 (led by GST rate cuts as well as festive season demand), the industrial output reported a sequential dip in both January and February 2026. The contraction in the latter month was largely led by a lower number of working days, and was largely in line with that seen in the year ago month (-6.5% in Feb 2025).
- Notably, the decline in manufacturing output slightly moderated (-6.3% vs. -7.0% in February 2025), while the extent of contraction in mining (-6.9% vs. -5.8%) and electricity (-6.5% vs. -3.9%) widened in February 2026 vis-à-vis February 2025.
- Within manufacturing, capital, intermediate, and consumer goods such as textiles (-2.4% in Feb 2026 vs. -6.2% in Feb 2025), chemical products (-5.5% vs. -6.7%), medical products (-9.8% vs. -13.9%), machinery and equipment (+6.6% vs. +2.2%), electrical equipment (-4.7% vs. -7.1%), motor vehicles, trailers and semi-trailers (-0.9% vs. -4.2%), supported the output on a MoM basis in February 2026.

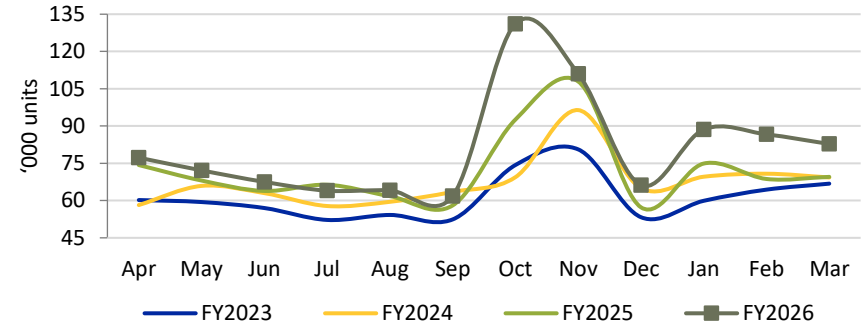
IIP growth to moderate in March 2026 vis-à-vis February 2026

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



Data for March 2026 is till March 29; Source: POSOCO; CEIC; ICRA Research

EXHIBIT: Average daily vehicle registrations at all-India level



Data for March 2026 is till March 29; Source: Vahan, MoRTH; ICRA Research

- The pace of YoY expansion in all-India electricity demand slowed to 0.5% during March 1-29, 2026 from 4.9% in February 2026, led by an unfavourable base (+6.7%/+2.9% in March 2025/February 2025). However, the average electricity demand in the ongoing month has remained unchanged at 4.8 BU/day vis-à-vis February 2026, amid the onset of summer season (March-May), leading to a rise in average spot power tariffs in the day-ahead-market (DAM) to an eight-month high of Rs. 4.1/unit (during March 1-30) from Rs. 3.6/unit in February 2026.
- The average daily vehicle registrations remained robust in March 2026 so far (March 1-29), rising by ~19% YoY to 82.8k/units, albeit lower than the 26.1% growth seen in February 2026. On a MoM basis, these were down by ~4% in the ongoing month relative to the levels seen in February 2026. Overall, the YoY growth in vehicle registrations has been quite strong since October 2025, reflecting the favourable impact of the GST rate cuts on demand.
- The ongoing shortage of commercial LPG cylinders is likely to lead to lower footfalls in restaurants and some moderation in consumption via food delivery platforms, thereby dampening the overall growth in activity in March 2026. Other sectors are also likely to be impacted by the non availability of inputs, such as ceramic tiles.
- **ICRA expects the IIP growth to decelerate to ~3-4% in March 2026, amid the unfolding adverse impact of the West Asia crisis on some manufacturing segments, both through the price and availability channels, as well as weaker electricity performance in the month.**

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-26	5.1%	4.3%	5.3%	5.1%	3.1%	4.1%	6.3%	14.6%	7.2%	-2.3%
February-26	5.2%	3.1%	6.0%	2.3%	1.8%	12.5%	7.7%	11.2%	7.3%	-0.6%
MoM (%)										
January-26	-0.5%	2.7%	-1.5%	3.5%	2.0%	0.0%	0.0%	4.1%	0.1%	-10.9%
February-26	-6.4%	-6.9%	-6.3%	-6.5%	-7.7%	4.5%	-6.5%	-7.1%	-2.7%	-9.6%
Apr-Feb FY2025 (YoY)	4.1%	3.2%	4.1%	5.0%	3.9%	5.9%	4.3%	6.5%	8.1%	-1.3%
Apr-Feb FY2026 (YoY)	4.1%	0.9%	5.1%	1.0%	1.1%	7.5%	5.8%	10.2%	5.9%	-0.1%

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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