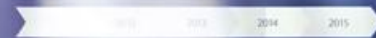




2014

2015



INDEX OF INDUSTRIAL PRODUCTION

IIP rose by higher-than-expected 4.1% YoY in March 2026; near-term prints may weaken amid fallout of West Asia conflict

APRIL 2026



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YoY IIP growth slowed to 4.1% in March 2026, while printing higher than expectations.

The moderation in the IIP growth in March vs. February 2026 was led by manufacturing and electricity segments.

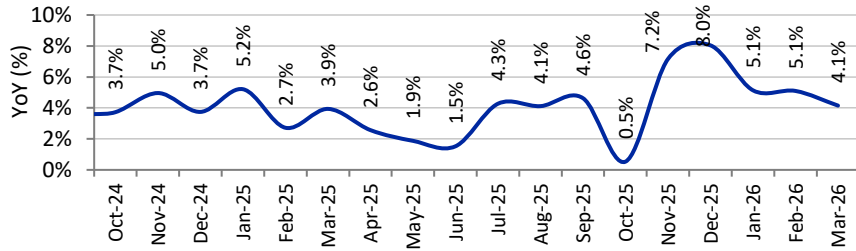
ICRA currently expects the GDP growth to moderate to 7.0% in Q4 FY2026, lower than the NSO's implicit estimate of 7.3%, amid a nascent impact of West Asia crisis on margins.

The year-on-year (YoY) growth in Index of Industrial Production (IIP) eased to a five-month low of 4.1% in March 2026 from 5.1% in February 2026, while exceeding ICRA's forecast (+1.5%) for the month. The surprise was led by the manufacturing and mining sectors, which grew by a healthy 4.3% and 5.5%, respectively, in the month. The stronger-than-expected IIP growth contrasts with the 0.4% contraction seen in core output, suggesting that the non-core portion of industrial output rose at a robust 7.8% in March 2026, shrugging off the expected adverse impact of the onset of the West Asia crisis. Overall, the IIP expansion has eased to 4.8% in Q4 FY2026 from 5.3% in Q3, led by the slower growth in the consumer goods segments following the GST rationalisation-led bump up seen in the previous quarter. ICRA currently pegs the GDP growth at 7.0% in Q4 FY2026, lower than the NSO's growth projection of 7.3%, amid a nascent impact of the crisis on margins. We expect the GDP growth to print at 7.5% in FY2026 (vs. Second Advance Estimate/SAE: +7.6%). The adverse impact of West Asia crisis on prices and availability of inputs used in industrial sector would weigh on the near-term IIP growth, which will migrate to the new series from next month.

- **IIP growth eased to 4.1% in March 2026:** The YoY IIP growth slowed to 4.1% in March 2026 from the downward revised 5.1% in February 2026, while exceeding ICRA's forecast (+1.5%). This was entirely driven by a deterioration in the output of the core sector (to -0.4% from +2.8%) in March 2026 compared to February, while the implicit expansion in the non-core segment (to +7.8% from +6.9%) improved between these months.
- **Deceleration in IIP growth driven by manufacturing, electricity segments:** While the growth in the output of the manufacturing (to +4.3% from +5.9%) and electricity (to +0.8% from +2.3%) segments slowed in March 2026 vs. February, that for mining (to +5.5% from +3.1%) improved between these months. Besides, the YoY performance of three of the six use-based categories deteriorated in March 2026 vis-à-vis February, including intermediate, infrastructure/construction (reflecting weaker construction activity) and consumer durable goods.
- **IIP growth slowed to 4.8% in Q4 FY2026 from 5.3% in Q3:** This was entirely led by the manufacturing sector (+5.1% vs. +6.3%), even as the performance of the electricity (+2.7% vs. -0.9%) and mining (+4.3% vs. +3.8%) segments improved between these quarters. ICRA currently pegs the GDP growth at 7.0% in Q4 FY2026, lower than the NSO's implicit growth projection of 7.3% for the quarter, amidst a nascent impact of the West Asia crisis on margins.

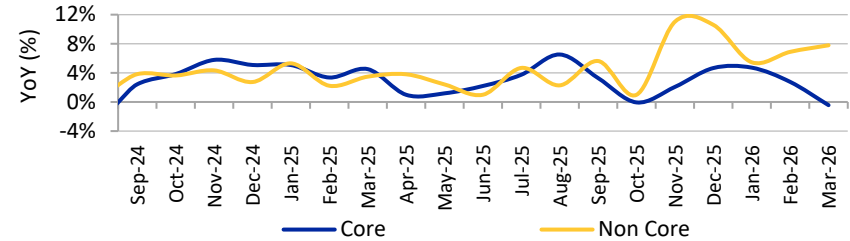
IIP growth eased to 4.1% in March 2026, albeit printing higher than expectations

EXHIBIT: IIP growth eased to a 5-month low of 4.1% in March 2026 (+3.9% in March 2025) from the downward revised 5.1% in February 2026 (+2.7% in February 2025), while printing much higher than ICRA's expectations (+1.5%)



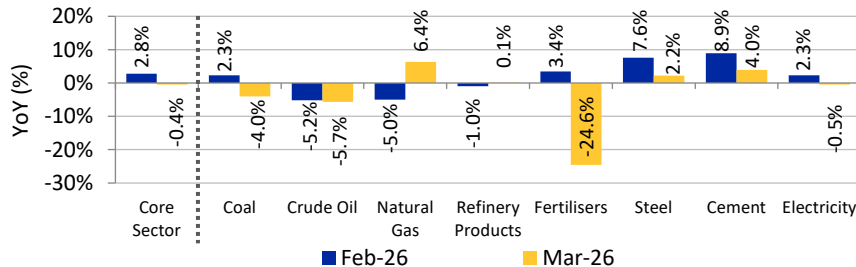
Source: NSO; CEIC; ICRA Research

EXHIBIT: The easing was entirely driven by a deterioration in the core sector output (to -0.4% from +2.8%), while growth in the non-core segment (to a 3-month high +7.8% from +6.9%) improved in March 2026 vs. February 2026



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 output of the core sector contracted by 0.4% in March 2026 (+2.8% in February 2026), after a gap of four months

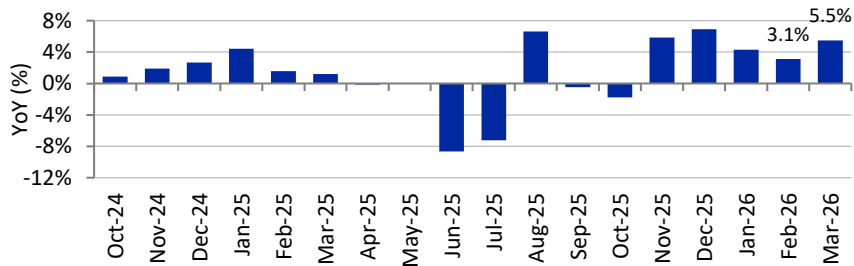


Source: Index of Eight Core Industries, Office of Economic Adviser, Ministry of Commerce and Industry; CEIC; ICRA Research

- The implicit YoY growth in non-core sector output (weight in IIP: 59.7%) rose to a robust 7.8% in March 2026 from 6.9% in February 2026, shrugging off the expectations around the adverse impact of the onset of the West Asia crisis.
- The YoY contraction in the core sector output was led by a decline in the production of four of the eight sub-sectors in March vs. February 2026. While an adverse base weighed on electricity generation (-0.5% in Mar 2026 vs. +2.3% in Feb 2026), a shortage of inputs amidst the West Asia crisis curtailed the fertiliser output (-24.6% vs. +3.4%) in March 2026.
- Besides, the growth in steel (+2.2% vs. +7.6%) and cement (+4.0% vs. +8.9%) output weakened in March 2026 vs. February, suggesting that construction activity may have slowed in the month.

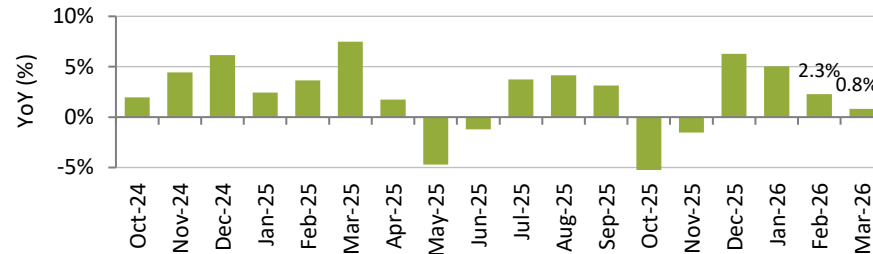
Growth in manufacturing and electricity segments weakened in March 2026 vs. February 2026, even as that in mining improved

EXHIBIT: Growth in mining output improved to 5.5% in March 2026 from 3.1% in February 2026, stemming from an uptick in natural gas output (to +6.4% from -5.0%) between these months



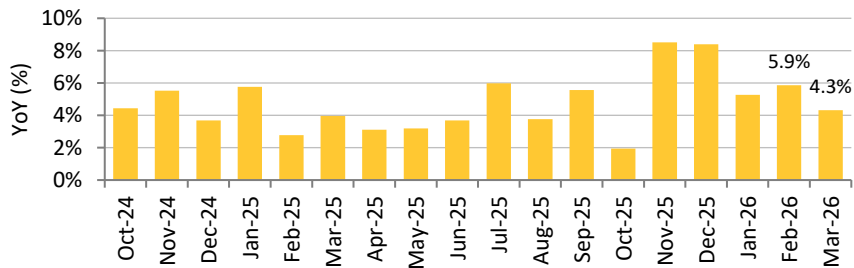
Source: NSO; CEIC; ICRA Research

EXHIBIT: However, the pace of expansion in electricity generation eased for the third consecutive month, to 0.8% in March 2026 from 2.3% in February 2026, owing to an adverse base (+3.6%/+7.5% in February/March 2025)



Source: NSO; CEIC; ICRA Research

EXHIBIT: While the pace of YoY expansion in the output of the manufacturing sector remained healthy at 4.3% in March 2026, it slowed from the 5.9% growth seen in February 2026

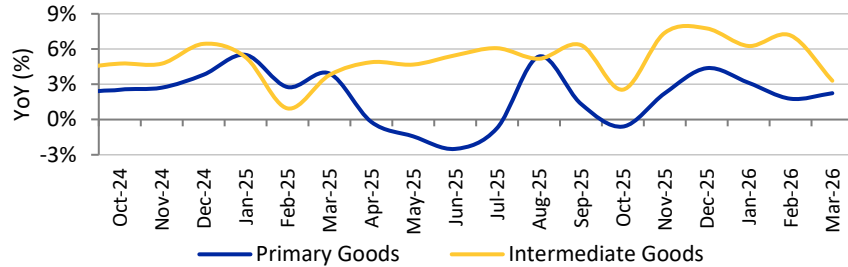


Source: NSO; CEIC; ICRA Research

- Within the manufacturing sector, the YoY performance of 14 of the 23 sub-sectors (with a substantial weight of 43.9% in the IIP) moderated in March 2026 vs. February 2026; these include textiles, basic metals, chemicals, food products, electrical equipment, other non-metallic mineral products, etc.
- The remaining nine sectors (with a weight of 33.7% in the IIP; including motor vehicles, trailers and semi-trailers, coke and refined petroleum products, etc.) saw an uptick in their YoY performance between these months.
- As many as nine of the 23 manufacturing segments (with a weight of 17.5% in the IIP) witnessed a YoY contraction in March 2026, in line with that seen in February 2026. Besides, only three segments saw a double-digit expansion in the month, as against four in the previous month.

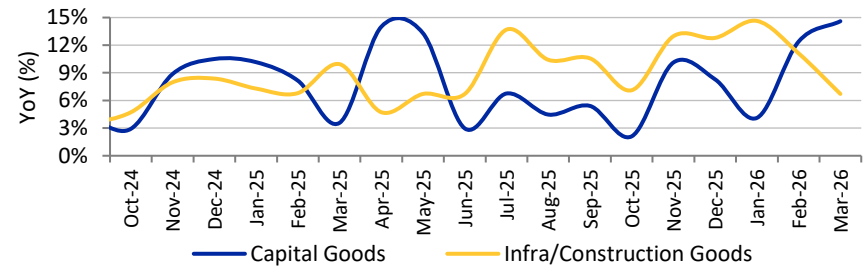
YoY performance of use-based categories was mixed in March 2026

EXHIBIT: The growth in primary goods inched up to 2.2% in March 2026 from 1.8% in February 2026; however, growth in intermediate goods slowed to a five-month low of 3.3% from 7.2%, amid an unfavourable base



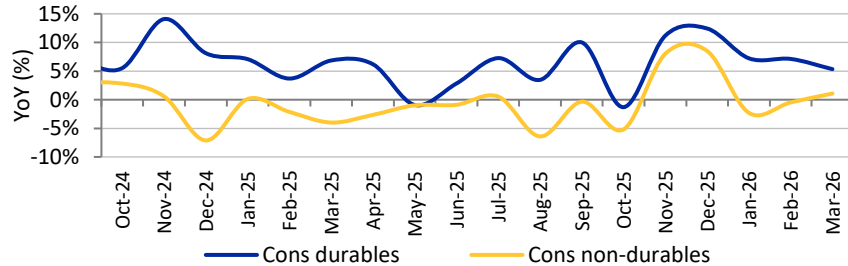
Source: NSO; CEIC; ICRA Research

EXHIBIT: YoY expansion in infra/construction goods eased to 6.7% in March 2026 from 11.1% in February, reflecting trends in steel and cement output; capital goods growth improved to a 29-month high of 14.6% from 12.4%



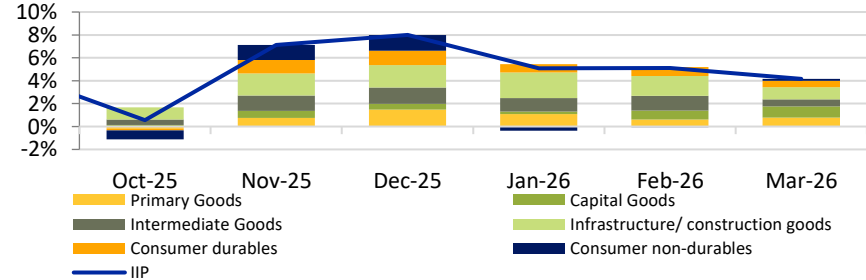
Source: NSO; CEIC; ICRA Research

EXHIBIT: Growth in consumer durables (to +5.3% in Mar 2026 from +7.1% in Feb 2026) eased in March 2026; consumer non-durables output reverted to a YoY expansion of 1.1% (-0.5% in February 2026), after a gap of two months



Source: NSO; CEIC; ICRA Research

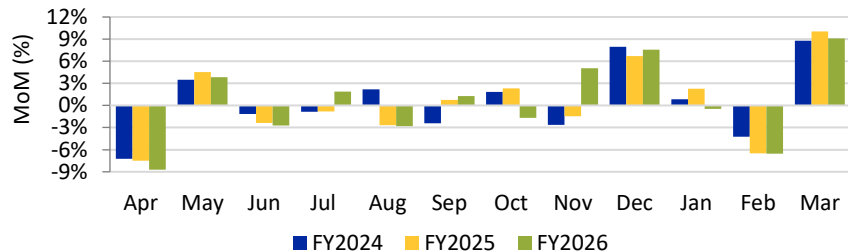
EXHIBIT: Intermediate (-70 bps), infra (-67 bps) and consumer durables (-19 bps) goods drove the moderation in the IIP growth in March 2026 vis-à-vis February



Source: NSO; CEIC; ICRA Research

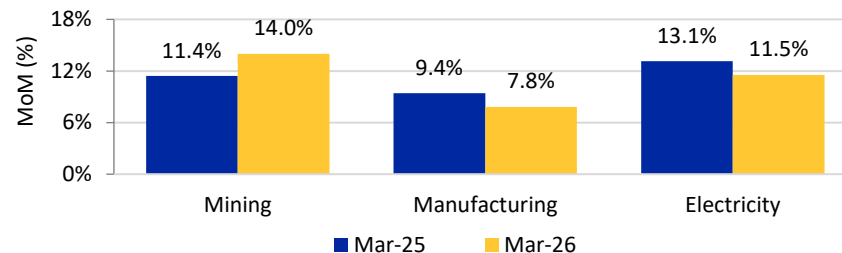
IIP rose by ~9% MoM in March 2026, but trailed the sequential uptick seen in March 2025

EXHIBIT: In line with the typical sequential acceleration seen in industrial activity in the last month every fiscal, IIP rose by 9.1% in March 2026, albeit mildly lower than 10.1% in the year-ago month



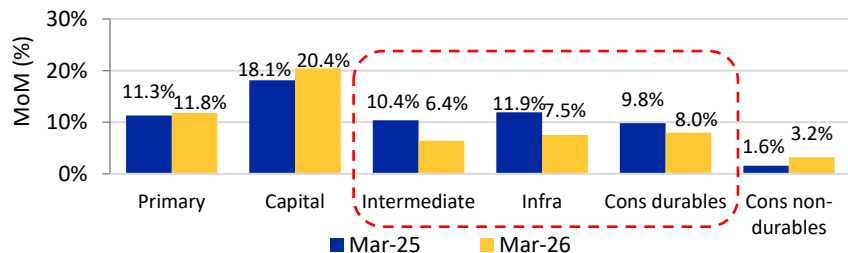
Source: NSO; CEIC; ICRA Research

EXHIBIT: While all three sectors witnessed a sequential increase in March 2026, mining output spiked by 14%, stronger than the pace seen in March 2025; however, a weaker trend was seen in manufacturing and electricity



Source: NSO; CEIC; ICRA Research

EXHIBIT: The trend across use-based categories was mixed, with intermediate, infrastructure and consumer durables goods reporting a shallower sequential uptick in March 2026 vis-à-vis March 2025

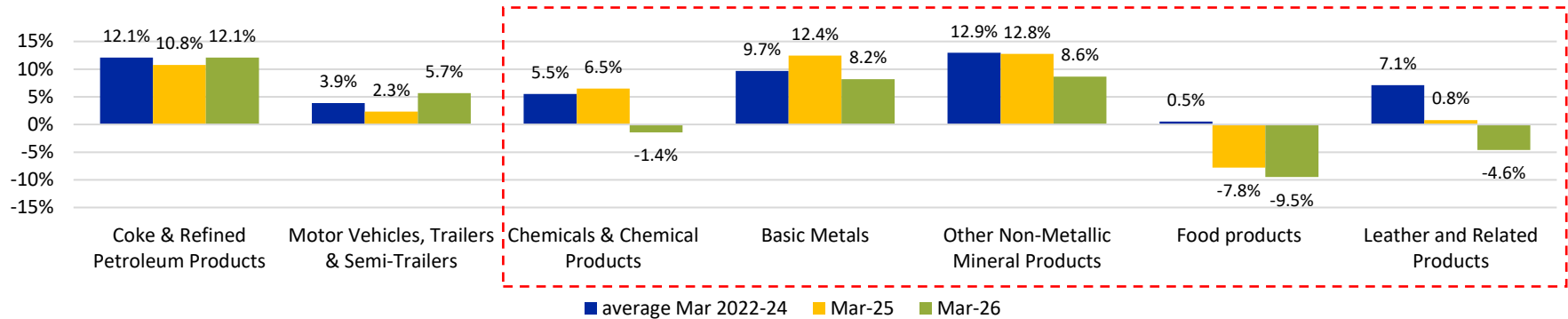


Infra: Infrastructure/ construction goods; Cons durables: Consumer durables; Cons non-durables: Consumer non-durables; Source: NSO; CEIC; ICRA Research

- The industrial output increased by a healthy 9.1% MoM in March 2026, echoing the seasonal trend of uptick seen in March and pick up in execution of projects to meet the annual/FY targets. However, this was lower than 10.1% jump recorded in March 2025.
- This trend was visible in the performance of manufacturing and electricity sectors, with lower sequential upticks in March 2026 vis-à-vis March 2025. However, mining output grew by a sharper 14% in March 2026, compared to 11.4% in the year-ago month.
- Notably, chemicals and chemical products (-1.4% in March 2026 vs. +6.5% in March 2025), textiles (+1.8%; +5.9%), basic metals (+8.2%; +12.4%), and leather products (-4.6%; +0.8%) products have seen a weaker MoM performance in March 2026 vis-à-vis 2025, partly affected by the surge in input costs and weak global demand.

Notwithstanding better-than-expected IIP growth, some sectors showed early signs of slowdown in March 2026 with onset of West Asia conflict

EXHIBIT: MoM trend in some manufacturing sub-sectors impacted by the West Asia conflict

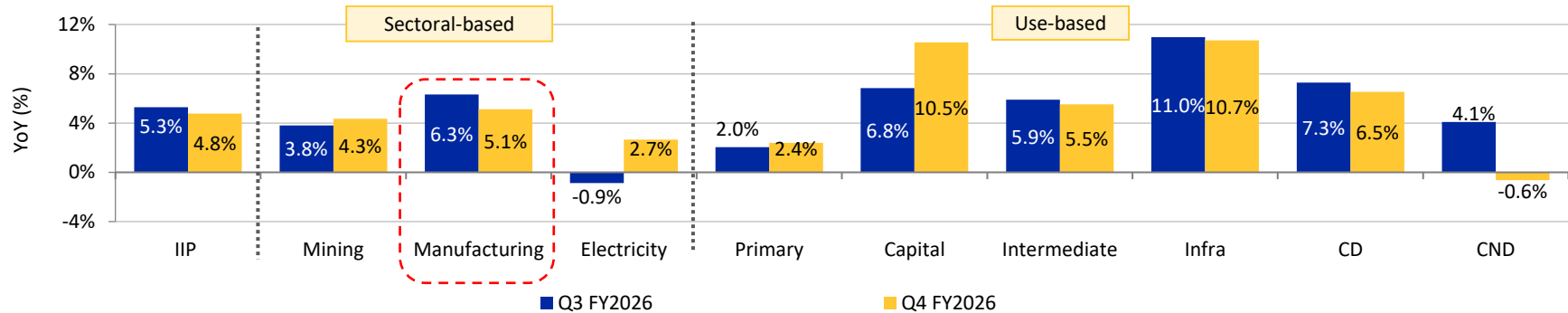


Source: NSO; CEIC; ICRA Research

- Notwithstanding the stronger-than-expected growth in the IIP and manufacturing output in March 2026, there are some early signs of a slowdown in output vis-à-vis past year trends that could be on account of the onset of the West Asia conflict.
- The West Asia crisis has disrupted supply chains of certain inputs which has implications for the manufacturing output. Most notably, the output of leather and related products contracted by 4.6% MoM in March 2026, as against uptick in March 2025 (+0.8%) as well as the average level during March 2022-2024 (+7.1%), owing to the surge in cost of critical inputs and availability of certain synthetic raw materials (RM) given high dependency of importing petrochemical derivatives from the region. A similar trend was seen in chemical products (-1.4% in March 2026, +5.5-6.5% in March 2022-2025), reflecting huge reliance of inputs like petrochemicals, natural gas and fertiliser raw materials. Additionally, the impact may be felt across other segments like other non-metallic mineral products (partly reflecting the shutdowns across tiles hubs owing to constrained availability of natural gas), food products and basic metals, dragged down via both direct and indirect channels. The disruption in shipping lines, subdued export demand in West Asia and currency volatility (in case of imported inputs) also likely weighed on production of some items.
- Going ahead, the slowdown in output of some sectors could widen in the near term, owing to the surge in RM costs and supply chain bottlenecks.

Industrial output growth slowed in Q4 vis-à-vis Q3 FY2026, led by manufacturing sector

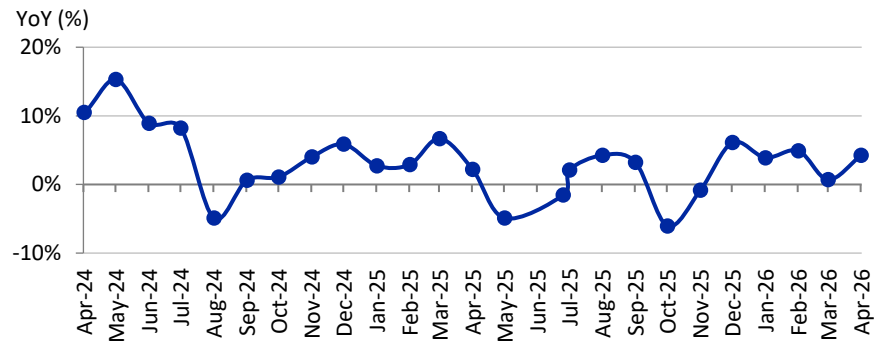
EXHIBIT: Quarterly performance of IIP, its sectoral and use-based categories



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

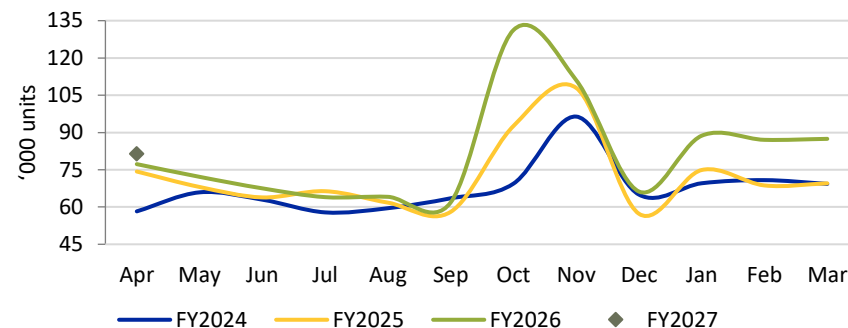
- The YoY growth in the IIP eased to 4.8% in Q4 FY2026 from 5.3% in Q3 FY2026, entirely on the back of a slower growth in manufacturing output (to +5.1% in Q4 FY2026 from +6.3% in Q3 FY2026). The performance of the electricity (to +2.7% from -0.9%) and mining (to +4.3% from +3.8%) sectors improved in Q4 relative to Q3 FY2026, which was impacted by unseasonal rains in the early part of the quarter.
- As many as four of the six use-based segments, including intermediate, infrastructure/construction, and consumer durable and non-durable goods recorded a deterioration in their YoY performance in Q4 FY2026 compared to Q3. The slowdown in the consumer goods segments likely reflects some cooling in demand, following the GST rate rationalisation-led pick up seen in Q3 FY2026. Notably, the consumer non-durables segment, which had seen an expansion in Q3 FY2026 after a gap of six quarters, reverted to contractionary territory in Q4 FY2026. The capital and infrastructure/construction goods' output have expanded by double digits in Q4 FY2026, implying that investment demand likely remained strong in the quarter, notwithstanding some souring of sentiments towards the end of the quarter owing to the West Asia crisis.
- **ICRA currently pegs the GDP growth at 7.0% in Q4 FY2026, lower than the NSO's implicit growth projection of 7.3% for the quarter, amidst a nascent impact of the West Asia crisis on margins. Overall, we expect the GDP growth to print at 7.5% in FY2026 (vs. SAE of +7.6%).**

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



Data for April 2026 is till April 27; Source: POSOCO; CEIC; ICRA Research

EXHIBIT: Average daily vehicle registrations at all-India level



Data for April 2026 is till April 27; Source: Vahan, MoRTH; ICRA Research

- The pace of YoY expansion in the all-India electricity demand improved to 4.2% during April 1-27, 2026 from 0.7% in March 2026, partly led by a favourable base (+2.2%/+6.7% in April 2025/March 2025) as well as rise in temperature and heatwave conditions across most parts of India (average electricity demand at 5.1 BU/day so far vs. 4.8 BU/day in March 2026). Consequently, the average spot power tariffs in the day-ahead-market (DAM) spiked to Rs. 5.2/unit (12-month high in April 1-28) from Rs. 4.2/unit in March 2026.
- The average daily vehicle registrations rose by ~5% YoY to 81.5k/units during April 2026 so far (April 1-27), lower than the 25.7% expansion seen in March 2026. On a MoM basis, these were ~2% lower than the levels seen during the corresponding period of March 2026. Overall, the average levels of vehicle registrations has been robust since October 2025, largely reflecting the favourable impact of the GST rate cuts on demand.
- **Looking ahead, the impact of the West Asia crisis on prices and availability of inputs used in industrial sector would weigh on the IIP growth in the near term.**
- **The IIP data is scheduled for base year revision (base year: 2022-23 from earlier 2011-12) on June 1, 2026, which will entail changes including an updated product basket (addition of minor minerals, gas supply and waste management) reflecting latest patterns of industrial production and revision of sectoral and item weights. In addition, the new IIP series will also reflect some methodological upgrades like treatment of substitution of factories (with systemic unit substitution approach), and handling of “not classified elsewhere” items.**

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-26	5.1%	3.1%	5.9%	2.3%	1.8%	12.4%	7.2%	11.1%	7.1%	-0.5%
March-26	4.1%	5.5%	4.3%	0.8%	2.2%	14.6%	3.3%	6.7%	5.3%	1.1%
MoM (%)										
February-26	-6.5%	-6.9%	-6.4%	-6.5%	-7.7%	4.4%	-7.0%	-7.2%	-2.9%	-9.5%
March-26	9.1%	14.0%	7.8%	11.5%	11.8%	20.4%	6.4%	7.5%	8.0%	3.2%
FY2025 (YoY)	4.0%	3.0%	4.1%	5.2%	3.9%	5.6%	4.3%	6.7%	7.9%	-1.5%
FY2026 (YoY)	4.1%	1.4%	5.0%	1.0%	1.2%	8.3%	5.5%	9.8%	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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