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35 Years of Unwavering Credibility

INDEX OF INDUSTRIAL PRODUCTION

Broader factory data coverage, methodological changes to improve accuracy; manufacturing pushed up April 2026 IIP growth to 4.9%

JUNE 2026

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Highlights

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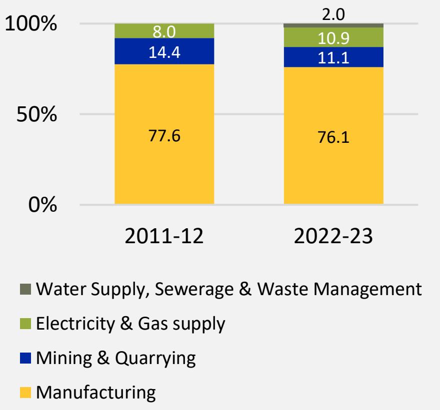
EXHIBIT: Comparison of sector-wise weights in new and old IIP series



Source: NSO, ICRA Research

The new Index of Industrial Production series (IIP; base year: 2022-2023) pegged the year-on-year (YoY) growth at 4.9% in April 2026, higher than 3.2% seen in March 2026, led by three of the four sub-segments, barring mining and quarrying. Notably, manufacturing output recorded a sharp YoY acceleration, rising to a four-month high of 6.2% vs. 3.9% in March 2026, amidst double-digit growth in seven of the 23 sub-segments, defying apprehensions of an immediate fallout from the West Asia crisis. As per the use-based classification, five of the six segments saw an uptick in their YoY growth rates in April 2026 vis-à-vis March 2026, barring primary goods, which largely reflects the tepid performance of the mining sector. The new IIP series has factored in several changes, including a revision of the item basket, changes in sectoral weights, and an increase in the number of reporting factories. Interestingly, as per this, industrial output expanded at a relatively higher pace in FY2024 and FY2025 than previously estimated, with the manufacturing sector reporting much higher growth rates in these years, which could lead to some upward revision in the GDP estimates for these years.

- **Industrial growth improved in April 2026, led by manufacturing:** The YoY growth in the IIP improved to 4.9% in April 2026 from 3.2% in March 2026, led by expansion in three of the four sub-segments barring mining and quarrying (wherein the contraction widened). The YoY growth in manufacturing output stood at a four-month high of 6.2% in April 2026, reverting to the December-January FY2026 levels (avg. +6.3%) following a slowdown in March 2026 (+3.9%). However, the performance across manufacturing sub-segments was somewhat mixed.
- **Five of the six use-based segments saw an acceleration in April 2026:** The capital goods output expanded by double digits for the sixth consecutive month in a row, and infra/construction goods output rose by a healthy 7.1% in the month, suggesting that construction and investment activity continues to remain strong. Most notably, even as the YoY growth in consumer products (durables and non-durables) improved in April 2026 vis-à-vis March 2026, they continue to trail the growth seen in the corresponding year-ago month.
- **IIP growth for FY2024-2025 raised upwards:** The IIP growth for FY2024 and FY2025 was raised by 80 bps and 240 bps, respectively, in the 2022-23 series vis-à-vis the 2011-12 series, particularly led by the manufacturing sector; this may lead to upward revision in industrial GVA growth for these years. The new series has raised the growth rates for the consumer, capital and infrastructure/construction goods segments for FY2024-2025, implying that consumption and investment activity may have been stronger than previously estimated in these years. However, it also suggests that there was a slowdown in industrial growth in FY2025, in contrast with a marginal uptick as per the old series.

New IIP series includes base year revision, new data additions like minor minerals, gas and water supply, with some rejig in sectoral weights

New IIP series with base year 2022-23 will include four sectors, against three in previous series

Mining

- Inclusion of minor mineral, rare earth mineral data to enhance coverage.
- Would entail sub-sectors: Fuel minerals, Metallic minerals and Non-metallic minerals.

Electricity

- MOSPI will publish disaggregated data by source of generation
- To effectively capture energy transition, it will publish data for conventional and renewable sources

Manufacturing

- Items are selected at NIC-3 digit level from Annual Survey of Industries 2022-23
- Weight is proportionally distributed among NIC 2-Digit items in proportion of their GVA in ASI

Water supply

- Water supply, sewerage and waste management is included for the first time in new IIP 2022-23 base series
- Source for this data is Department of drinking water and sanitation

EXHIBIT: Weight distribution in new IIP series - (provisional sectoral weights)

Sector	2011-12 base		2022-23 base	
	Weight (%)	Item groups	Weight (%)	Item groups
Mining	14.4	1	11.0	3
Manufacturing	77.6	405	76.1	455
Electricity & Gas supply	8.0	1	10.9	3
Water Supply and waste mgt	-	-	2.0	2
Total	**100**	**407**	**100**	**463**

Source: NSO; CEIC; ICRA Research

The revised IIP basket consists of 1,042 products mapped to 463 item groups. Within the manufacturing sector, the weight of 17 of the 23 segments has been hiked in the new IIP basket, including food & beverages, textiles, leather, wood products, pharmaceutical & medicinal products, motor vehicles, electrical equipment, etc. On the contrary, items like tobacco, coke and refined petroleum, basic metals, and printing and reproduction of recorded media have witnessed a reduction in their weight.

New IIP 2022-23 series proposes factory substitution to improve data reliance and better reflect current industrial activity

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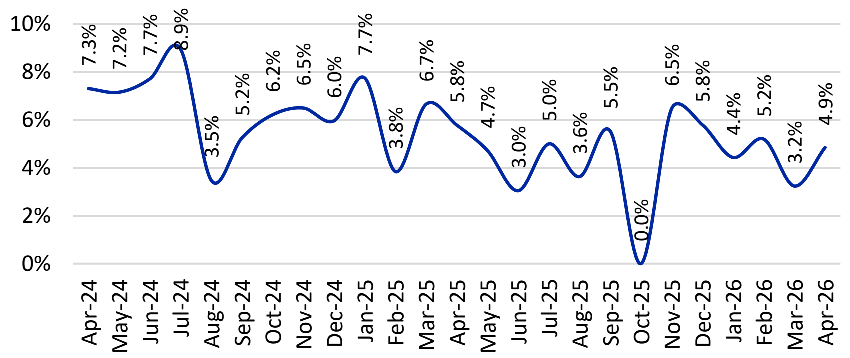
Substitution of factory	In the IIP 2011-12 series, a factory remains a part of the index even if it ceases operations or changes its line of production. However, the new 2022-23 base proposes a systematic unit substitution methodology, wherein non-operational factories will be replaced with active units of similar production scale. This replacement requires 12 months of overlapping data to ensure consistent index movement.
Adjustment factor for substitution	The adjustment factor for substitution is computed as = $\frac{\text{Annual average production of new factory during operated overlapping period}}{\text{Annual average production of original factory item during operated overlapping period}}$ The reported production data of the substitute factory is adjusted as = $\frac{\text{Reported production of new factory}}{\text{Adjustment Factor}}$
Chain based indices and Seasonally adjusted series	MoSPI has proposed the introduction of chain-linked indices alongside the fixed-base IIP. The chain-based approach is being considered as it allows the index to better capture structural shifts, emerging industries, and changes in production patterns by updating weights more frequently. Additionally, MoSPI is working towards the establishment of a system to provide a seasonally adjusted IIP series, which would remove predictable fluctuations caused by seasonal or calendar-related factors such as weather patterns, festivals, trading-day effects, and movable holidays. This would enhance the reliability of the IIP and improve comparability.

Existing practice for dealing with non-response from factory in 2011-12 series
- Previous month's production
- Same month of previous year
- Average of last three months

Proposed treatment for dealing with non-response from factory in 2022-23 series
- Similar factory substitution
- Group average ratio of reporting factories
- Carry-forward last report
- Moving average (3-month/12-month)
- Previous year same month

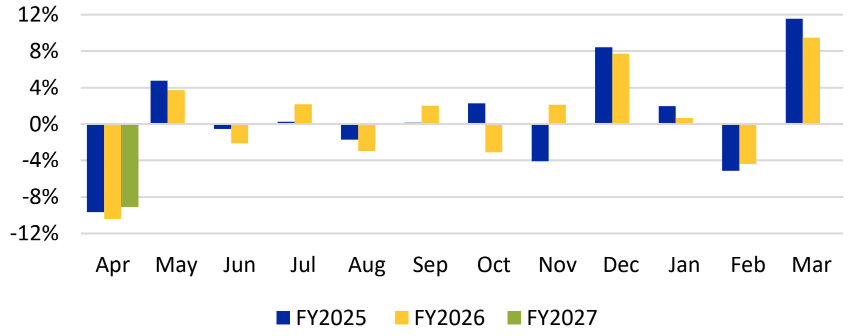
IIP growth rebounded to 4.9% in April 2026 from 3.2% in March 2026, as per the new series

EXHIBIT: YoY trends in IIP (as per 2022-23 base)



Source: NSO; CEIC; ICRA Research

EXHIBIT: MoM trends in IIP (as per 2022-23 base)



Source: NSO; CEIC; ICRA Research

- As per the newly-released data series with 2022-23 as the base year, the IIP growth improved to 4.9% in April 2026 from the five-month low of 3.2% in March 2026, led by three of the four sub-segments, barring mining and quarrying (which are discussed in the ensuing slides), belying the fear of an immediate negative impact of the West Asia crisis.
- On a month-on-month (MoM) basis, the IIP was 9.0% lower in April 2026, echoing the typical sequential moderation in industrial activity seen during the month of April over March. This stood slightly better than the MoM drop of 10.4% and 9.7%, respectively, recorded in April 2025 and April 2024.

Manufacturing and utility sectors drove the uptick in IIP growth in April 2026, even as mining output contracted

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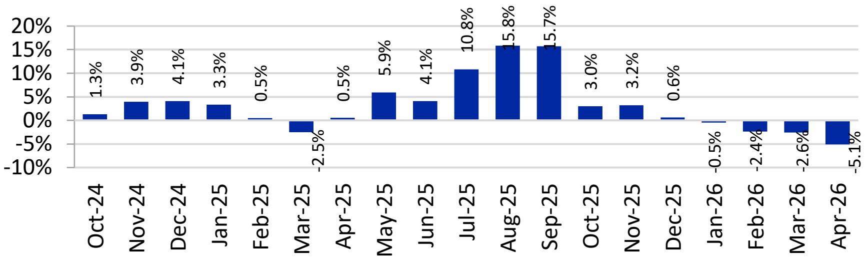
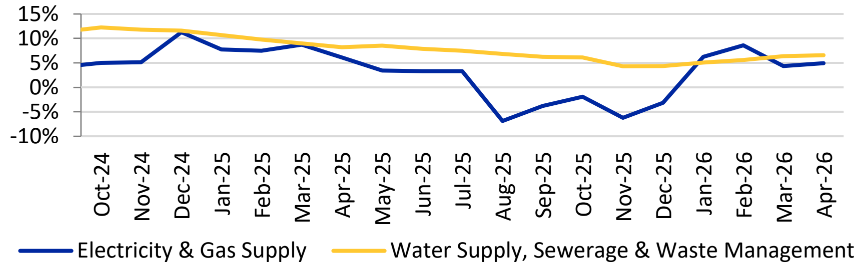
EXHIBIT: Mining output continued to contract on a YoY basis for the fourth consecutive month in April 2026, and the pace of the same doubled to 5.1% from 2.6% in March 2026, weighing on the performance of the IIP



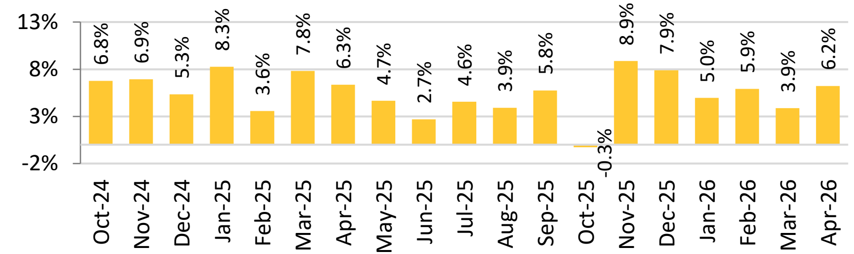
Source: NSO; CEIC; ICRA Research

EXHIBIT: The growth in electricity and gas supply output rose modestly to 4.9% in April 2026 from 4.4% in March, while that in water supply & waste management was estimated at a stronger 6.6% (+6.4% in Mar 2026)



Source: NSO; CEIC; ICRA Research

EXHIBIT: The YoY growth in the manufacturing segment improved noticeably to a 4-month high of 6.2% in April 2026 from 3.9% in March 2026



Source: NSO; CEIC; ICRA Research

- The YoY fall of 5.1% in mining output in April 2026 stemmed from moderation in fuel (-5.7%; weight in IIP: 5.6%) and non-metallic minerals (-14.2%; 3.4%) including minor minerals, even as the output of metallic mineral like rare earths, etc. (2.0% weight) was up by 12.3% YoY in the month.
- Additionally, renewable energy output increased by a robust 18% YoY in April 2026, mainly boosting the overall growth in electricity and gas supply segment. This was followed by conventional electricity, that posted a modest 2.8% growth in April 2026, even as gas supply contracted by 11.2%.
- The output of sewerage and waste management witnessed a relatively stronger growth of 9.5% in April 2026, as compared to 4.4% seen in the water supply segment.

Weights of 15 of 23 manufacturing sub-sectors raised in new IIP series; growth trends mixed in April 2026, with seven seeing double digit expansion

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EXHIBIT: Comparison of weights of manufacturing sub-indices and their YoY performance in April 2026

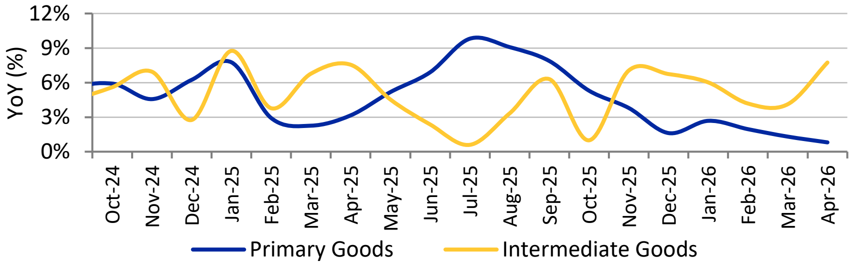
Description	Weights: 2011-12	Weights: 2022-23	Apr-26 (YoY)
Food products	5.30	5.68	5.3%
Beverages	1.04	1.11	-7.1%
Tobacco products	0.80	0.77	4.6%
Textiles	3.29	3.28	15.6%
Wearing apparel	1.32	1.97	-7.0%
Leather and related products	0.50	0.61	1.5%
Wood and products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	0.19	0.24	-12.5%
Paper and paper products	0.87	1.38	13.8%
Printing and reproduction of recorded media	0.68	0.51	-3.4%
Coke and refined petroleum products	11.77	7.72	-0.4%
Chemicals and chemical products	7.87	7.81	0.4%
Basic pharmaceuticals products and pharmaceutical preparations	4.98	5.83	3.4%
Rubber and plastics products	2.42	3.38	6.5%
Other non-metallic mineral products	4.09	3.52	4.3%
Basic metals	12.80	9.20	5.8%
Fabricated metal products, except machinery and equipment	2.65	2.48	11.7%
Computer, electronic and optical products	1.57	2.09	1.1%
Electrical equipment	3.00	3.18	19.2%
Machinery and equipment n.e.c.	4.77	5.02	12.9%
Motor vehicles, trailers and semi-trailers	4.86	6.42	12.7%
Other transport equipment	1.78	2.09	18.9%
Furniture	0.13	0.28	-2.2%
Other manufacturing	0.94	1.51	0.3%

Source: NSO; ICRA Research

- The weight (in overall IIP) of as many as 15 of the 23 sub-sectors of manufacturing have been revised upwards in the new 2022-23 series relative to the 2011-12 series. For instance, the weight for the manufacture of motor vehicles, trailers and semi-trailers (+1.56 pp), rubber and plastics products (+0.96 pp), basic pharmaceuticals products and pharmaceutical preparations (+0.85 pp), wearing apparel (+0.65 pp), etc. have seen a sharp upward revision as per the 2022-23 series vis-à-vis the 2011-12 series.
- However, this was partly offset by a material reduction in the weights for the manufacturing of coke and refined petroleum products (-4.05 pp) and basic metals (-3.61 pp) as per the new 2022-23 series.
- Overall, the weight of the manufacturing sector in the IIP has been pared by 1.57 pp as per the 2022-23 series.
- As many as 17 of the 23 manufacturing sub-sectors (with a substantial weight of 64.2% in the IIP) saw a YoY growth in April 2026; these include basic metals, chemicals, pharma, food products, motor vehicles, trailers and semi-trailers, textiles, etc. Further, as many as seven of these sub-sectors saw a double-digit expansion in the month.
- The remaining six sectors (with a weight of 11.8% in the IIP; including coke and refined petroleum products, beverages, wearing apparel, etc.) saw a YoY contraction in April 2026.

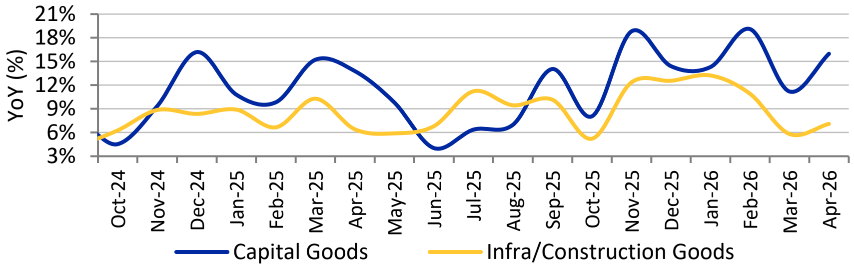
YoY performance of most use-based categories improved in April vs. March 2026

EXHIBIT: The growth in primary goods eased to a 20-month low of 0.8% in April 2026 from 1.3% in March 2026, reflecting the weak performance of the mining segment; however, growth in intermediate goods improved sharply



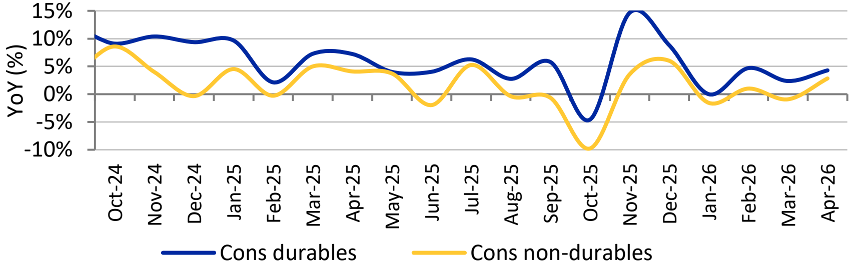
Source: NSO; CEIC; ICRA Research

EXHIBIT: YoY growth in infra/construction (to +7.1% in April 2026 from +5.8% in March 2026) and capital (to +16.0% from +11.2%) goods improved in April 2026 vs. March 2026



Source: NSO; CEIC; ICRA Research

EXHIBIT: Growth in consumer durables (to +4.3% in April 2026 from +2.4% in March 2026) inched up in April 2026; consumer non-durables output reverted to a YoY expansion of 2.8% after declining by 0.9% in March 2026

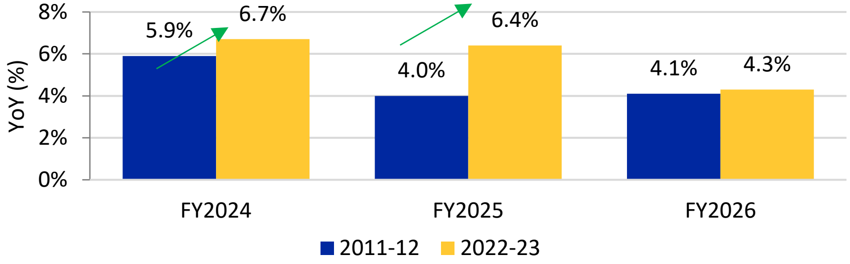


Source: NSO; CEIC; ICRA Research

- As many as five of the six use-based segments witnessed an uptick in their growth rates in April 2026 vis-à-vis March 2026, barring primary goods, which largely reflects the tepid performance of the mining sector.
- Notably, capital goods output expanded by double digits for the sixth consecutive month in a row, while infra/construction goods output rose by a healthy 7.1% in the month, suggesting that construction and investment activity continues to remain strong.
- The weights of intermediate goods (+5.19 pp) and consumer non-durables (+0.82 pp) in the overall IIP has been raised in the 2022-23 series vs. 2011-12 series. However, that for primary (-2.91 pp), capital (-0.14 pp), infra/construction (-1.43 pp) goods, and consumer durables (-1.53 pp) has been pared in the new series.

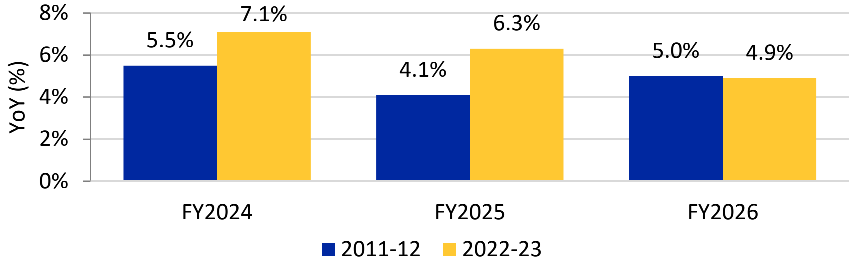
IIP growth for FY2024-2025 raised materially, led by manufacturing segment; industrial GVA prints for these years may be revised upwards

EXHIBIT: The IIP growth for FY2024 and FY2025 was raised by 80 bps and 240 bps, respectively, in the 2022-23 series vis-à-vis the 2011-12 series; this may lead to upward revision in industrial GVA growth for these years



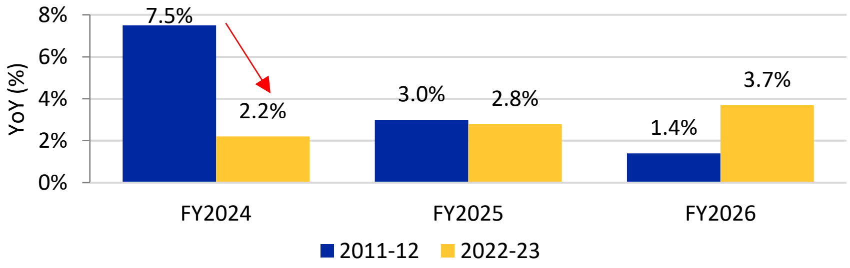
Source: NSO; ICRA Research

EXHIBIT: The upward revision in IIP growth for FY2024-2025 was primarily driven by a material uptick in the growth rates for the manufacturing output for these fiscals, likely due to increased data coverage of factories



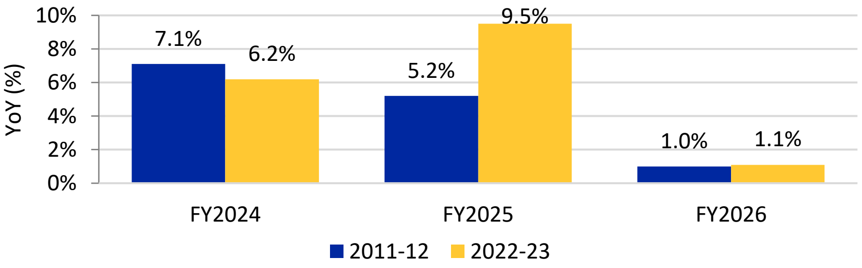
Source: NSO; ICRA Research

EXHIBIT: Interestingly, while growth for mining output was pared in FY2024-2025, the same was raised for FY2026



Source: NSO; ICRA Research

EXHIBIT: The trends for the electricity and gas supply segment was mixed, with a moderation in the growth rate for FY2024, followed by a material upward revision in FY2025



Source: NSO; ICRA Research

Growth of most use-based segments revised up for FY2024-2025; industrial growth slowed in FY2026, as against acceleration estimated in old series

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EXHIBIT: Annual Growth Rates of Use Based segments of the IIP for base years 2022-23 and 2011-12

	Weights	Series	YoY growth (%)		
			FY2024	FY2025	FY2026
Primary Goods	31.136	2022-23	4.2	5.5	4.7
	34.049	2011-12	6.1	3.9	1.2
Capital Goods	8.082	2022-23	10.8	9.3	11.7
	8.224	2011-12	6.3	5.6	8.3
Intermediate Goods	22.416	2022-23	6.1	5.7	4.5
	17.221	2011-12	5.3	4.3	5.5
Infrastructure/ Construction Goods	10.908	2022-23	10.0	7.5	9.1
	12.338	2011-12	9.7	6.7	9.8
Consumer durables	11.311	2022-23	4.9	9.1	4.5
	12.839	2011-12	3.6	7.9	5.9
Consumer non-durables	16.147	2022-23	7.6	3.4	0.7
	15.329	2011-12	4.1	-1.5	0.1

Source: NSO; ICRA Research

- On the use-based side, the upward revision in the IIP growth in FY2024 and FY2025 in the new series (2022-23) vis-à-vis the old series (2011-12) has been fairly broad based, led by as many as five of the six segments, barring primary goods. This segment saw a downward revision in growth in FY2024 followed by an upward revision in FY2025, partly reflecting the trends in electricity generation.
- The new series suggests that the consumer durables and non-durables segment have fared materially better during FY2024-2025 than that estimated by the old series. This would better explain the elevated growth rates in Private Final Consumption Expenditure (PFCE) during these years.
- Besides, the growth rates for capital goods and infrastructure/construction goods have also been raised for FY2024-2025, implying that investment and construction activity may have been stronger than previously estimated in these years.
- In FY2026, the IIP growth performance is only marginally better at 4.3% as per the new series, vis-à-vis the 4.1% indicated in the old series. This uptick was driven by the primary, capital and consumer non-durable goods segments, with the other three segments seeing a downward revision. Overall, the new series suggests that there was a material slowdown in industrial growth to 4.3% in FY2026 from 6.4% in FY2025, in contrast with a marginal uptick as per the old series (+4.1% in FY2026 vs. +4.0% in FY2025).

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