

INDEX OF INDUSTRIAL PRODUCTION

IIP growth eased to 4.0% in August 2025; adverse base may constrain growth in September-October despite likely volume boost from GST cuts

SEPTEMBER 2025





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IIP growth eased to 4.0% in August 2025 from 4.3% in July 2025, dragged down by manufacturing sector.

The 2.1% YoY dip in consumer goods' output in August 2025 may reflect inventory management to avoid stranded taxes ahead of GST rejig.

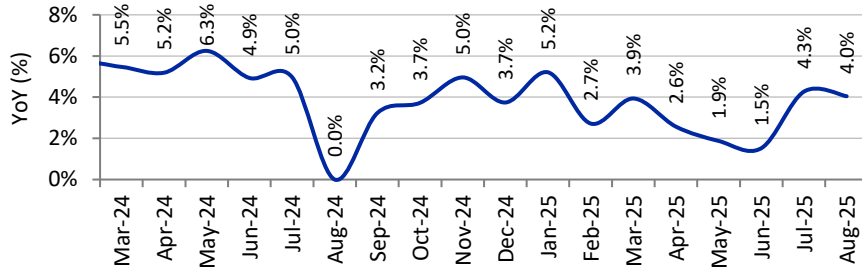
Manufacturing volumes are set to improve during Sep-Oct 2025 owing to GST cut-led festive sales boost, although an unfavourable base may limit IIP expansion in these months.

Despite a low base, the year-on-year (YoY) IIP growth unexpectedly eased to 4.0% in August 2025 (flat in August 2024) from 4.3% in July 2025 (+5.0% in July 2024), and trailed ICRA's forecast (+5.5%) for the month. The slowdown was entirely led by manufacturing growth, that nearly halved to 3.8% from 6.0% in July 2025. In contrast, mining (to +6.0% from -7.2%) and electricity (to +4.1% from +3.7%) saw improvement between these months. On the use-based side, consumer goods' output contracted by 2.1% in August 2025, partly reflecting inventory management to avoid stranded taxes ahead of the forthcoming GST cuts. Looking ahead, the GST rationalisation is expected to boost consumption demand during the festive season, which is likely to augur well for manufacturing output in September-October 2025, once the older inventories are off the shelves. While this may partly offset the adverse impact of the US tariffs and penalties, an unfavourable base may constrain expansion in the IIP in these months.

- **YoY IIP growth eased to 4.0% in August 2025:** Despite a low base, the IIP growth slowed down from upwardly revised growth of 4.3% in July 2025 (vs. initial +3.5%), owing to the weak performance of the manufacturing sector (to +3.8% in August 2025 from +6.0% in July 2025). In contrast, mining output (to +6.0% from -7.2%) and electricity generation (to a 5-month high +4.1% from +3.7%) saw an improvement in August 2025 compared to July 2025, with the former registering a YoY growth in the month, after four consecutive months of contraction.
- **Five of the six use-based categories saw deterioration:** Barring primary goods, the YoY performance of the other five use-based sub-segments deteriorated in August 2025 vis-à-vis July 2025. In particular, consumer goods (durable + non-durable) contracted by 2.1% YoY in August 2025, after a gap of two months, which may partly reflect inventory management to avoid stranded taxes ahead of the GST rationalisation.
- **GST cut to boost output in September-October, although adverse base may constrain growth:** Looking ahead, the GST rationalisation is expected to boost consumption demand during the festive season, which is likely to augur well for manufacturing output in September-October 2025, once the older inventories are off the shelves. While this may partly offset the adverse impact of the US tariffs and penalties, an unfavourable base may constrain expansion in the IIP in these months.

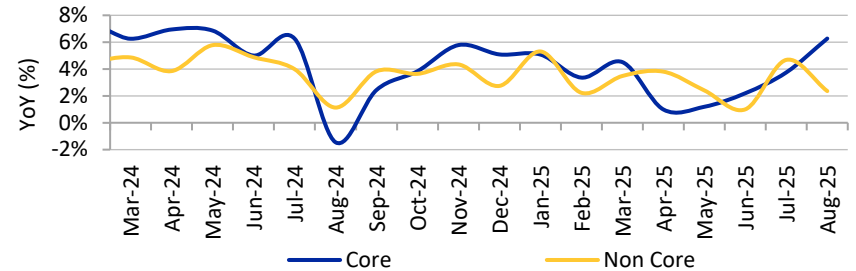
IIP growth eased to 4.0% in August 2025 despite a favourable base

EXHIBIT: IIP growth eased to 4.0% in August 2025 from the upward revised 4.3% in July 2025 (initial: +3.5%), and printed below ICRA's forecast (+5.5%)



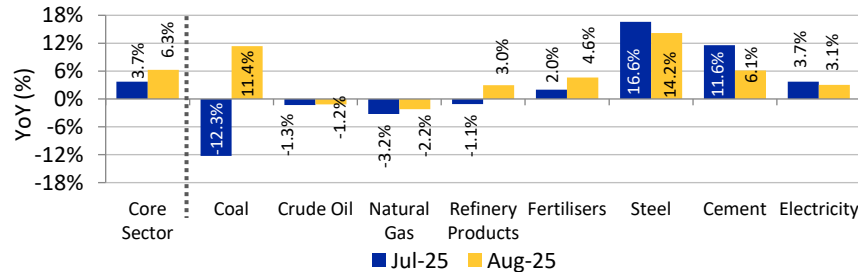
Source: NSO; CEIC; ICRA Research

EXHIBIT: Unlike the trend seen in July 2025, the non-core segment weighed on IIP growth in August 2025 (to +2.4% from +4.7% in July), even as the core output expanded sharply (to a 15-month high of 6.3% from +3.7%)



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 strong 6.3% core sector growth in August 2025 was partly boosted by a favourable base, driven by the turnaround in coal output

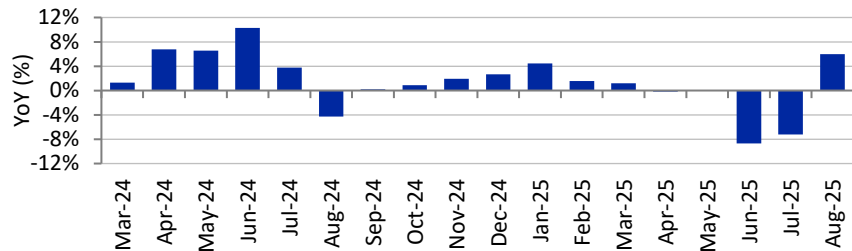


Source: Index of Eight Core Industries, Office of Economic Adviser, Ministry of Commerce and Industry; CEIC; ICRA Research

- The output of the non-core sector (weight in IIP: 59.7%) rose by a modest 2.4% in August 2025, as against 4.7% seen in July 2025. Moreover, in sequential terms, non-core sector dipped by 3.8% in August 2025. This largely reflects the weak performance of the manufacturing sector.
- However, the growth in core sector output (weight in IIP: 40.3%) soared to a 15-month high of 6.3% in August 2025 (-1.5% in August 2024) from 3.7% in the prior month (+6.3% in July 2024), aided by a favourable base. Five of the eight sectors reported an improvement in their YoY performance in August 2025 as compared to July 2025, particularly boosted by the turnaround in mining and refinery production.

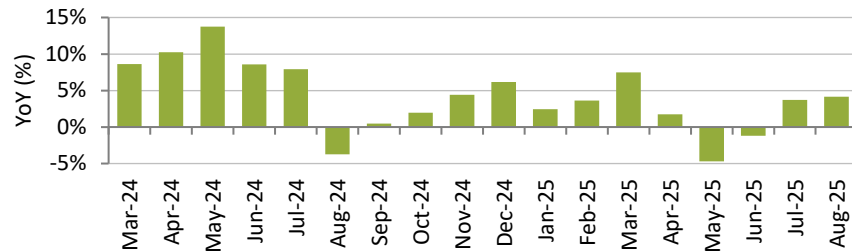
Growth in manufacturing output eased sharply in August 2025 vis-à-vis July 2025, while that in mining and electricity sectors picked up

EXHIBIT: Following four consecutive months of contraction, mining output reported a sharp YoY uptick of 6.0% in August 2025 (vs. -7.2% in July 2025), amid sharp surge in coal output (+11.4% vs. -12.3%)



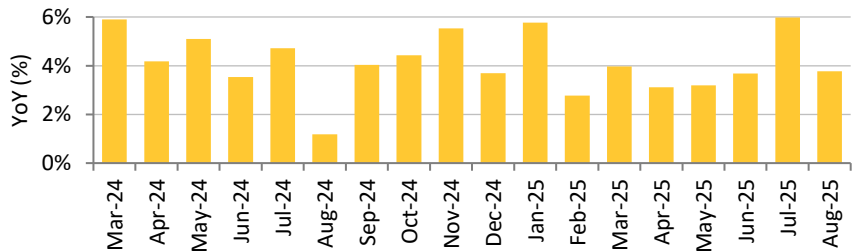
Source: NSO; CEIC; ICRA Research

EXHIBIT: Electricity generation rose by a modest 4.1% in August 2025 (vs. +3.7% in July 2025), led by thermal generation (+0.4% vs. -4.7%) while growth in hydro electricity generation moderated (+9.0% vs. +23.4%) in the month



Source: NSO; CEIC; ICRA Research

EXHIBIT: In contrast, the YoY growth in manufacturing output eased sharply to 3.8% from 21-month high of 6.0% in July 2025, despite a favourable base

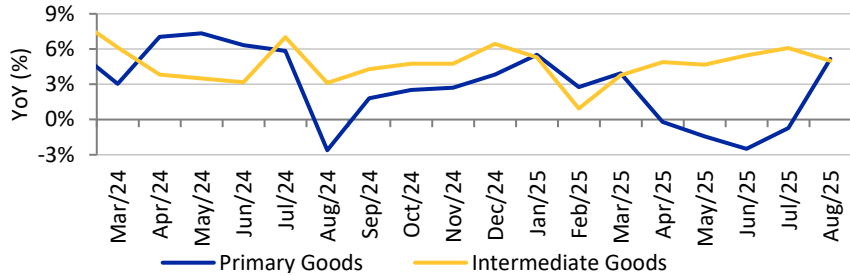


Source: NSO; CEIC; ICRA Research

- As many as 17 of the 23 sub-sectors of manufacturing (with a large weight of 54.9% in the IIP) reported a deterioration in their YoY growth rates in August 2025 as compared to July 2025.
- Additionally, the production of as many as 13 of the 23 sub-sectors of manufacturing (with a substantial weight of 34.1% in the IIP) witnessed a contraction in August 2025. These largely include consumer non-durables (food products and beverages) and durables (textiles, wearing apparels, leather and related products), etc.
- The GST rationalisation is expected to boost consumption demand during the upcoming festive season, which is likely to augur well for manufacturing output during September-October 2025. This may partly offset the negative impact of steep US tariffs (and penalties) in these months.**

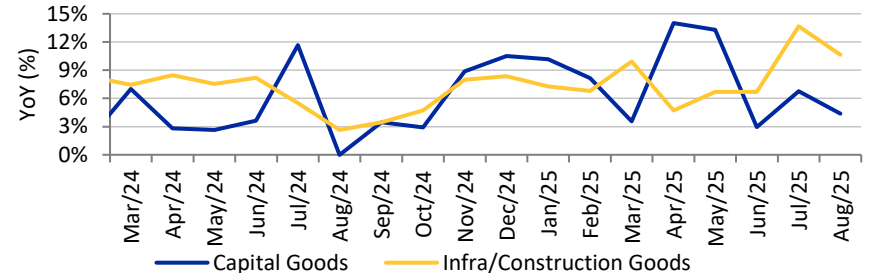
Five of the six use-based categories saw deterioration in their YoY performance in August 2025 vs. July 2025

EXHIBIT: The YoY growth in primary goods saw a sharp turnaround to 5.2% in August 2025 (vs. -0.7% in July 2025), reflecting the trend in mining and electricity, while growth in intermediate goods eased (to +5.0% from +6.1%)



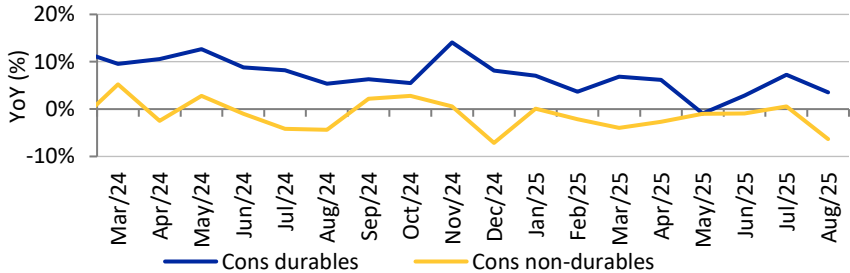
Source: NSO; CEIC; ICRA Research

EXHIBIT: The infrastructure/construction goods output rose by double-digits (to +10.6% from +13.7% in July 2025) for the second consecutive month, suggesting that growth in construction activity likely remained healthy



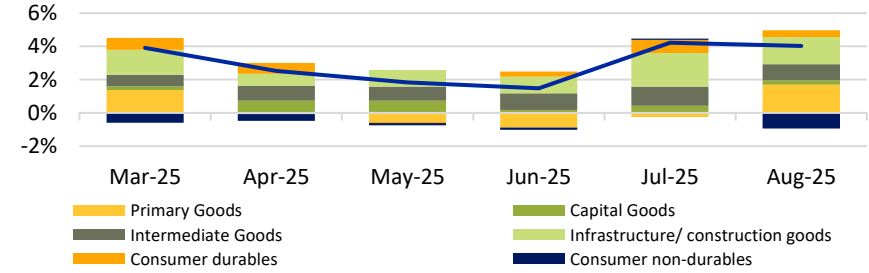
Source: NSO; CEIC; ICRA Research

EXHIBIT: The YoY growth in consumer non-durables (-6.3% in August 2025 vs. +0.5% in July 2025) saw the steepest dip in eight months in August 2025, while that in consumer durables (to +3.5% vs. +7.3%) halved vs. July 2025



Source: NSO; CEIC; ICRA Research

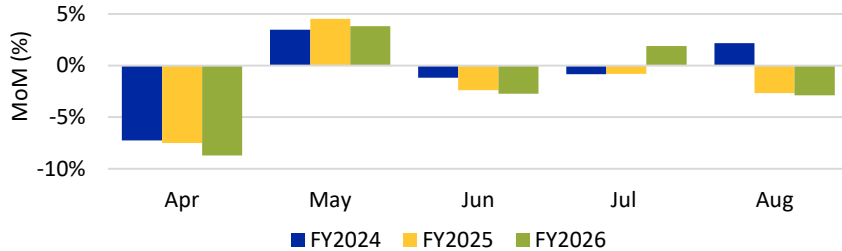
EXHIBIT: Consumer goods (durables and non-durables) together pulled down the IIP growth print by as much as 141 bps in August 2025 vis-à-vis July 2025



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

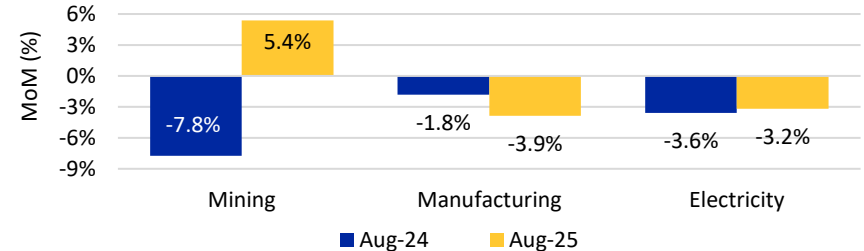
IIP contracted by 2.9% MoM in August 2025, mirroring the dip seen in 2024

EXHIBIT: The IIP contracted by 2.9% on a MoM basis in August 2025, similar to the dip seen in August 2024 (-2.7%)



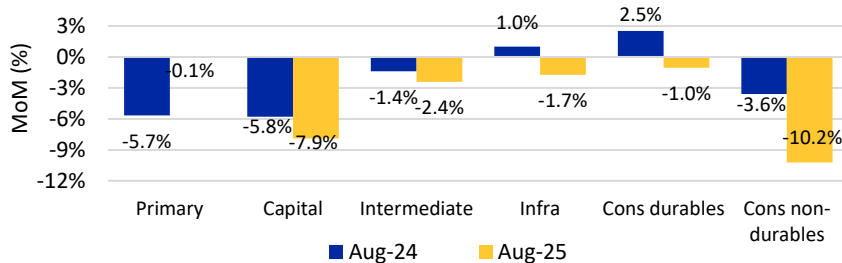
Source: NSO; CEIC; ICRA Research

EXHIBIT: Manufacturing output contracted by a sharper 3.9% in August 2025 (vs. -1.8% in August 2024), even as mining saw a reversal to MoM expansion



Source: NSO; CEIC; ICRA Research

EXHIBIT: The MoM growth performance of five of the six use-based categories, excluding primary goods, deteriorated in August 2025 vis-à-vis August 2024

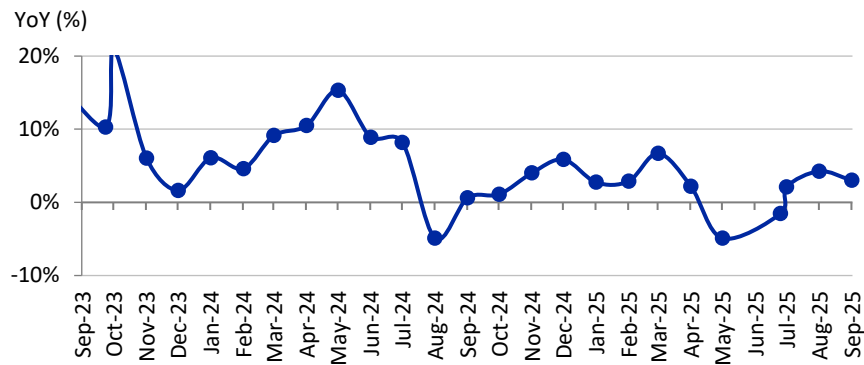


Infra: Infrastructure/ construction goods; Cons durables: Consumer durables; Cons non-durables: Consumer non-durables; Source: NSO; CEIC; ICRA Research

- The MoM uptick in mining output (+5.4% in August 2025 vs. -7.8% in August 2024) is in contrast with the typical seasonal contraction that is seen in the month and largely reflects sequential surge in coal output (+7.6%). This, along with a slightly shallower sequential dip in electricity generation explains the improvement in the performance of primary goods output (-0.1% vs. -5.7%) on the use-based side in August 2025 vs. August 2024.
- Interestingly, the consumer durables and non-durables segment witnessed a deterioration in their MoM performance in August 2025 vis-à-vis August 2024, which may have been driven on account of inventory management to avoid stranded taxes ahead of the GST rationalisation from September 22, 2025.

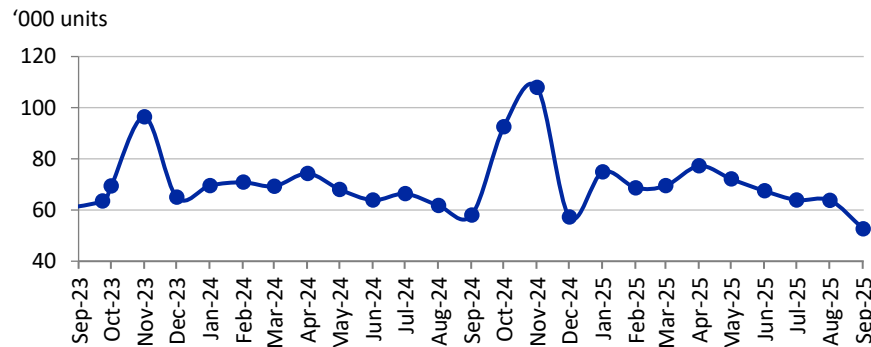
Electricity demand rose at moderate pace in September 2025; vehicle registrations plunged in anticipation of GST cuts from September 22, 2025

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



Data for September 2025 is till September 28; Source: POSOCO; CEIC; ICRA Research

EXHIBIT: Daily average vehicle registrations at all-India level



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

- After contracting by 1.5% during the first week of September 2025, the all-India electricity demand reverted to a YoY expansion of 4.4% during September 8-28, 2025, amid the onset of SW monsoon withdrawal. Overall, demand increased at modest 3.0% YoY during September 1-28 (vs. +4.3% in August 2025). The average spot power tariffs in the day-ahead-market (DAM) eased to Rs. 3.6/unit during September 1-29, 2025 from Rs. 4.0/unit in the previous month, reflecting weak demand growth and higher supply from hydro and renewables sources.
- As per the data provided on the Vahan portal, the average daily vehicle registrations fell sharply by ~17% sequentially to a 36-month low of 52.7k units/day during September 1-28, 2025, while trailing the year ago levels by ~9%, owing to the deferment of purchases until the GST tax cuts were implemented from September 22, as well as the inauspicious *Shradh* period. **The vehicle registrations are expected to gain pace in October 2025, with lower GST rates across most categories, and the anticipation of demand revival during the festive season.**

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 (%)										
July-25	4.3%	-7.2%	6.0%	3.7%	-0.7%	6.8%	6.1%	13.7%	7.3%	0.5%
Aug-25	4.0%	6.0%	3.8%	4.1%	5.2%	4.4%	5.0%	10.6%	3.5%	-6.3%
MoM (%)										
July-25	1.9%	-12.6%	3.7%	3.8%	-2.0%	6.2%	4.1%	3.5%	3.9%	2.8%
Aug-25	-2.9%	5.4%	-3.9%	-3.2%	-0.1%	-7.9%	-2.4%	-1.7%	-1.0%	-10.2%
April-Aug FY2025 (YoY)	4.3%	4.8%	3.7%	7.1%	4.8%	4.1%	4.1%	6.4%	9.0%	-1.9%
April-Aug FY2026 (YoY)	2.8%	-2.2%	3.9%	0.7%	-0.1%	8.1%	5.3%	8.5%	3.8%	-2.0%

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 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



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