

INDEX OF INDUSTRIAL PRODUCTION

Electricity sector drove IIP growth higher to 5.1% in May 2026 from 4.9% in April; deflator changed to output PPI from WPI

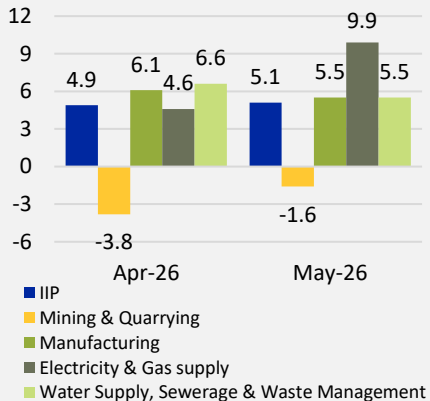
JUNE 2026





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EXHIBIT: YoY growth in IIP across sectors (%)



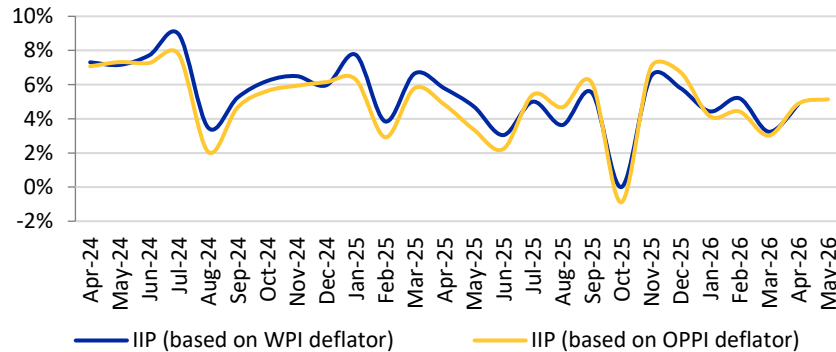
Source: NSO, ICRA Research

The year-on-year (YoY) growth in the Index of Industrial Production series (IIP) has risen to 5.1% in May 2026 from 4.9% in April 2026, largely driven by the sharp acceleration in electricity generation growth (to a 24-month high +9.9% from +4.6% in April 2026; on a low base), amid high demand levels owing to rising temperatures across regions. While mining output posted a narrower YoY contraction, manufacturing sector growth eased to 5.5% from 6.1% between these months. In terms of use-based categories, primary, consumer and capital goods witnessed better YoY performances in May 2026 vis-à-vis April 2026. Notably, the Ministry of Statistics and Programme Implementation (MOSPI) has shifted to using the output producer price index or “Output PPI” as the deflator for a large number of items in the IIP 2022-23 series from the wholesale price index (WPI) earlier, which is expected to improve the estimation of real output. This has led to revisions in manufacturing and electricity growth during FY2024-2026, which may trigger revisions in the GDP dataset.

- Industrial growth rose mildly to 5.1% in May 2026, led by electricity:** The YoY growth in the IIP inched up to 5.1% in May 2026 from 4.9% in April 2026, on the back of a sharp acceleration in electricity generation growth (to a 24-month high 9.9% from 4.6% in April 2026), driven by elevated temperatures across regions as well as a low base. While the YoY contraction in mining output narrowed to 1.6% in May 2026 from 3.8% in April 2026, the growth in other sectors, including manufacturing (to +5.5% from +6.1%) and water supply, sewerage and waste management (to +5.5% from +6.6%) decelerated between these months.
- Four of the six use-based segments saw an acceleration in growth in May 2026:** Interestingly, four of the six use-based segments, barring intermediate goods (to +5.8% from +10.3%) and infrastructure/construction goods (to +5.9% from +6.0%), saw an improvement in their growth performance in May 2026 relative to April 2026. Moreover, the consumer durables (at +7.2%) and non-durables (at +3.6%) segments recorded the highest growth in 5 months in May 2026.
- Deflator for IIP series migrated to newly-published Output PPI from WPI:** The MoSPI has shifted to using the output PPI as the deflator for a large part of the item group in the IIP basket (234 of the 463 items, accounting for 36% of the total IIP weight, are compiled using value-based production data), from the WPI earlier. This has resulted in revisions in the growth rates for the manufacturing, and electricity and gas supply sectors during FY2024-2026. ICRA anticipates that this is likely to lead to revisions in the GDP dataset for these years.

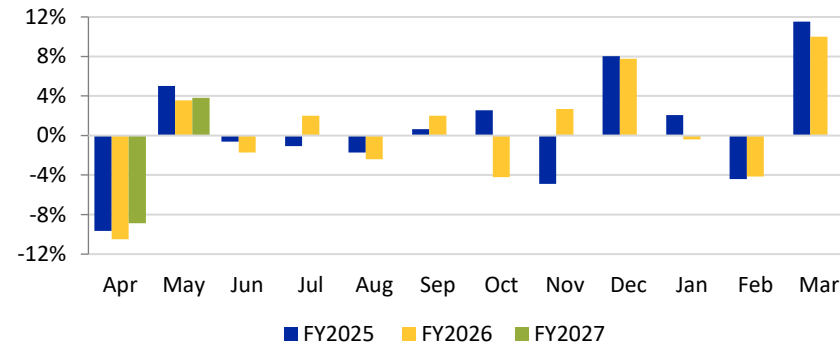
IIP growth rose to 5.1% in May 2026 from 4.9% in April 2026; shift in deflator to OPPI from WPI led to revisions in sectoral growth during FY2024-2026

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; OPPI deflator)

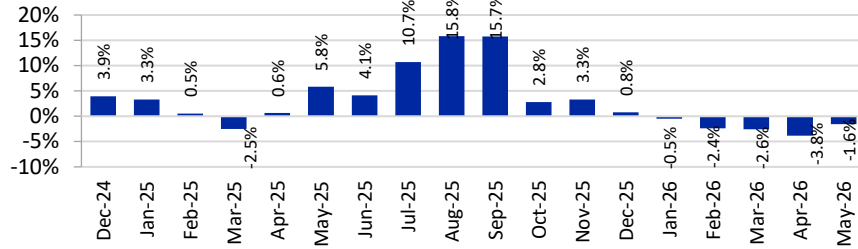


Source: NSO; CEIC; ICRA Research

- The IIP growth rose modestly to a five-month high of 5.1% in May 2026 from 4.9% in April 2026, according to the new series released by the MOSPI using “Output PPI” (OPPI) as the deflator for IIP 2022-23 series. The use of WPI as a deflator for some IIP items (234 of the 463 items, accounting for 36% of the total IIP weight, are compiled using value-based production data) has been discontinued, as the output PPI provides a more granular structure than the WPI, and is expected to improve the estimation of real output. Further, the Electricity Index has also undergone revision to address a compilation issue related to its sub-sectoral weights.
- The adoption of OPPI as the deflator for items in the IIP series has led to revisions in manufacturing and electricity growth during FY2024-2026. ICRA anticipates that this is likely to lead to revisions in the GDP dataset for these years.
- On a month-on-month (MoM) basis, the IIP was 3.8% higher in May 2026, echoing the typical sequential uptrend in industrial activity in the month. This stood slightly better than the MoM uptick of 3.5% in May 2025, albeit trailed the 5.0% increase seen in May 2024.

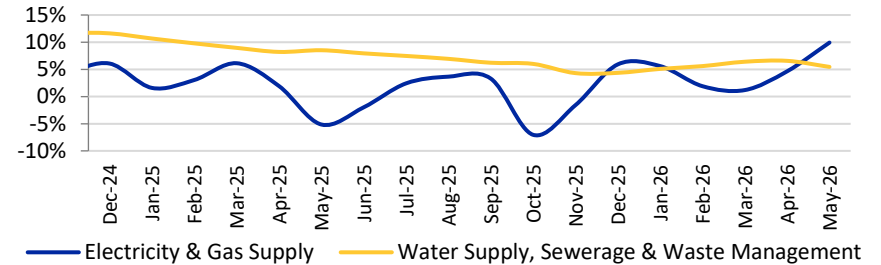
Electricity generation largely drove the improvement in YoY IIP growth in May vs. April 2026

EXHIBIT: Mining output continued to contract on a YoY basis for the fifth consecutive month in May 2026, even as the extent of the same narrowed to 1.6% from 3.8% in April 2026



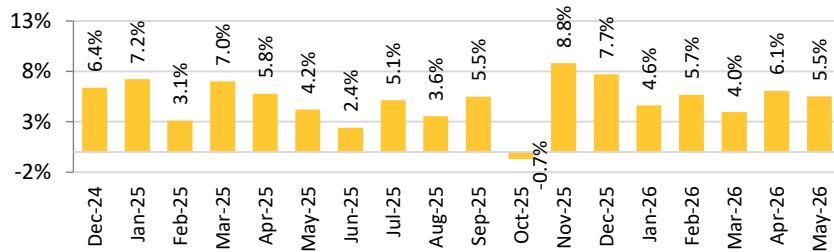
Source: NSO; CEIC; ICRA Research

EXHIBIT: The growth in electricity and gas supply output rose to a 24-month high 9.9% in May 2026 from 4.6% in April, amid rising temperatures, while that in water supply & waste management (to +5.5% from +6.6%) eased



Source: NSO; CEIC; ICRA Research

EXHIBIT: The YoY growth in the manufacturing segment moderated to 5.5% in May 2026 from 6.1% in April 2026, notwithstanding a favourable base



Source: NSO; CEIC; ICRA Research

- The narrower YoY fall of 1.6% in mining output in May 2026 vs. 3.8% in April 2026 stemmed from the robust YoY uptick in metallic minerals (+18.3% vs. +12.4%) and the shallower contraction in non-metallic minerals (-6.1% vs. -10.3%). However, this was partly offset by the sharper YoY decline in the output of fuel minerals (-6.4% vs. -5.6%) in May 2026 relative to April 2026.
- The acceleration in the electricity and gas supply segment was largely driven by the surge in the growth of conventional electricity output (to 8.8% in May 2026 from 1.7% in April 2026). In contrast, the renewable electricity output posted a lower, albeit strong YoY growth of 18.0% in May 2026 (+19.6% in April 2026), even as gas supply fell by 7.1% (-7.7% in April 2026).
- The output of sewerage and waste management saw a relatively stronger growth of 6.9% in May 2026, as compared to 4.3% seen in the water supply segment.

Deceleration in manufacturing growth in May 2026 vis-à-vis April was broad based across 15 of 23 sub-sectors

EXHIBIT: YoY growth in manufacturing sub-indices

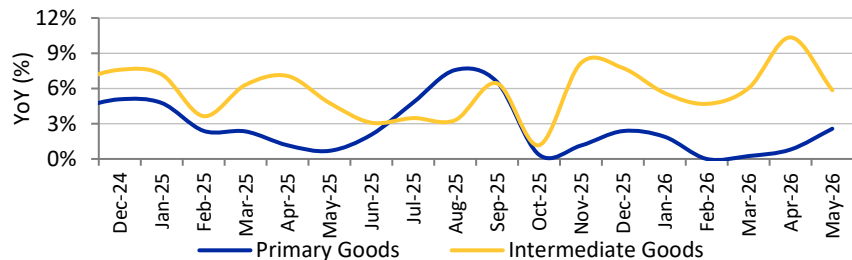
Description	Weights: 2022-23	Apr-26 (YoY)	May-26 (YoY)
Food products	5.68	5.5%	4.0%
Beverages	1.11	-5.6%	5.0%
Tobacco products	0.77	2.2%	-1.6%
Textiles	3.28	16.2%	12.7%
Wearing apparel	1.97	-6.9%	-8.8%
Leather & related products	0.61	1.3%	-4.1%
Wood & products of wood & cork, except furniture; manufacture of articles of straw & plaiting materials	0.24	-12.5%	-4.1%
Paper & paper products	1.38	13.9%	10.1%
Printing & reproduction of recorded media	0.51	-4.1%	-10.3%
Coke & refined petroleum products	7.72	0.0%	-4.7%
Chemicals & chemical products	7.81	0.1%	-1.3%
Basic pharmaceuticals products & pharmaceutical preparations	5.83	-3.7%	5.4%
Rubber & plastics products	3.38	25.3%	4.8%
Other non-metallic mineral products	3.52	3.3%	1.6%
Basic metals	9.20	4.9%	4.6%
Fabricated metal products, except machinery & equipment	2.48	11.2%	15.5%
Computer, electronic & optical products	2.09	5.0%	11.4%
Electrical equipment	3.18	21.7%	20.8%
Machinery & equipment n.e.c.	5.02	5.1%	5.0%
Motor vehicles, trailers & semi-trailers	6.42	12.4%	14.5%
Other transport equipment	2.09	24.3%	14.3%
Furniture	0.28	-2.8%	3.5%
Other manufacturing	1.51	-4.7%	10.4%

Source: NSO; ICRA Research

- Within the manufacturing sector, the YoY performance of 15 of the 23 sub sectors (with a substantial weight of 56.1% in the IIP) moderated in May 2026 vs. April 2026. These include basic metals, chemicals and chemical products, coke and refined petroleum products, machinery and equipment, food products, electrical equipment, other non-metallic mineral products, etc.
- The remaining eight sectors (with a lower weight of 20.0% in the IIP) saw an improvement in their YoY performance between these months, including motor vehicles, trailers and semi-trailers, beverages, computer, electronic & optical products, etc.
- As many as 16 of the 23 manufacturing segments (with a large weight of 56.4% in the IIP) witnessed a YoY expansion in May 2026, in line with that seen in April 2026. Besides, eight segments (with a weight of 22.4% in the IIP) saw a double-digit expansion in the month, namely textiles, paper and paper products, fabricated metal products, computer, electronic and optical products, electrical equipment, motor vehicles, trailers and semi-trailers, other transport equipment, and other manufacturing.
- In contrast, seven segments (with a weight of 19.6% in the IIP) witnessed a YoY contraction in May 2026, including wearing apparel, tobacco products, leather products, chemical and chemical products (led by the sharp dip in refinery products output), etc.

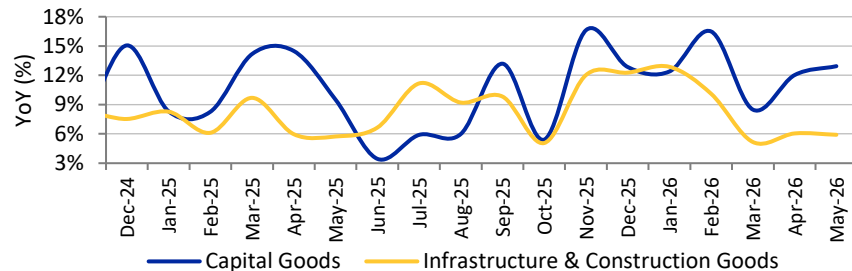
YoY performance of most use-based categories improved in May vs. April 2026

EXHIBIT: The YoY growth in primary goods picked up to 2.6% in May 2026 from sub 1% between February-April 2026; while the growth in intermediate goods moderated to 5.8% vs. 10.3% in April 2026, it remained healthy



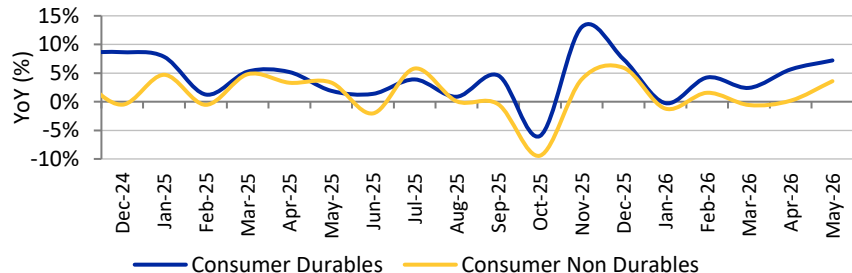
Source: NSO; CEIC; ICRA Research

EXHIBIT: YoY growth in infra/construction (to +5.9% in May 2026 from +6.0% in April 2026) and capital (to +12.9% from +12.0%) goods remained healthy in May 2026



Source: NSO; CEIC; ICRA Research

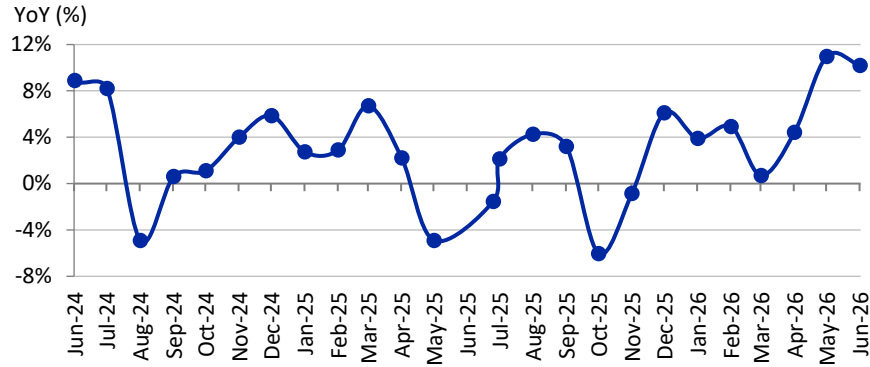
EXHIBIT: Growth in consumer durables (to +7.2% from +5.6% in April 2026, partly supported by a favourable base) and consumer non-durables output (+3.6% vs. +0.2%) also improved in May 2026 vs. April 2026



Source: NSO; CEIC; ICRA Research

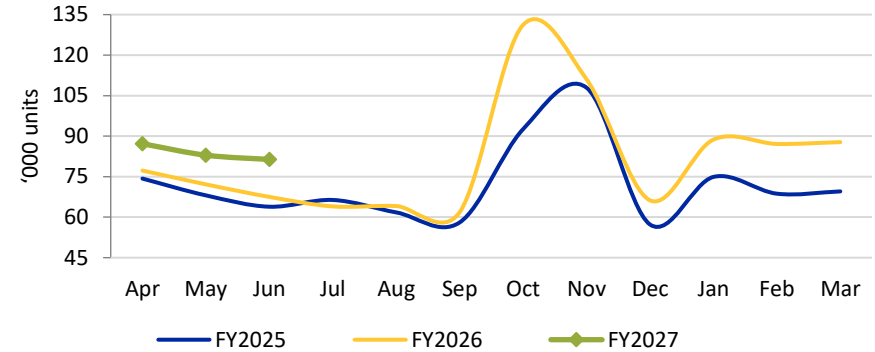
- As many as four of the six use-based segments witnessed an uptick in their YoY growth rates in May 2026 vis-à-vis April 2026, barring intermediate and infra/construction goods. However, both these segments reported a robust ~6.0% YoY expansion in the month.
- Notably, capital goods grew by a robust 12.9% in May 2026 vs. 12.0% in April 2026 (led by double-digit growth in electrical and other transport equipment), and infra/construction goods output rose by a healthy 5.9% in the month, suggesting that construction and investment activity likely remained healthy.
- The consumer durables (at +7.2%, partly led by a favourable base and double-digit growth in computer, electronic & optical products and motor vehicles, trailers & semi-trailers) and non-durables (at +3.6%; led by turnaround in beverages) segments recorded the highest growth in 5 months in May 2026.

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



Data for June 2026 is till June 28; Source: POSOCO; CEIC; ICRA Research

EXHIBIT: Average daily vehicle registrations at all-India level



Data for June 2026 is till June 28; Source: Vahan, MoRTH; ICRA Research

- The YoY expansion in the all-India electricity demand stood at an elevated 10.2% during June 1-28, 2026 (5.5 BU/day), only slightly lower than 11.0% in May 2026 (5.3 BU/day), supported by the onset of summer season and rising temperatures across regions. Moreover, the average spot power tariffs in the day-ahead-market (DAM) inched up to Rs. 5.1/unit during June 1-29, 2026 from Rs. 4.9/unit in May 2026, given elevated demand levels. While coal stocks as on June 26, 2026 (16.8 days) remain below the normative level of 24 days, they are materially higher than that of September 2023 (11.2 days), providing comfort for meeting peak summer demand.
- The average daily vehicle registrations have remained robust in June 2026 so far (June 1-28), rising by ~16% YoY (+0.3% MoM) to 81.4k/units, marginally higher than the YoY growth of 15.0% seen in May 2026. Overall, the YoY growth in vehicle registrations has remained strong since October 2025, primarily supported by the continued demand boost following the GST rate reductions.

ANNEXURE: 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

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

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

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.

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

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



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