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IIP growth eases in FY25

IIP growth eased to 3% in Mar'25 from 5.5% in Mar'24 but inched up from 2.7% in Feb'25. Compared with previous year (Mar'24), moderation was noted across the board. Manufacturing and electricity output slowed most notably, while mining sector output softened at a much slower pace. On an annual basis, IIP growth decelerated down to 4% from 5.9% in FY24, with growth in all the other sectors dipping in FY25. Within manufacturing, majority of the subsectors registered negative growth in FY25 compared with last year. For use-based industries, with the exception of consumer durables, all the other industries registered slower growth in FY25. For FY26, we expect production to improve as has been reflected by the high frequency indicators such as manufacturing PMI, GST collection, e-way bill. However, there are headwinds to global growth and growing volatility specially pertaining to global trade which requires careful monitoring and this might impinge on growth.

IIP growth softens: IIP growth moderated to 3% in Mar'25 from 5.5% in Mar'24. This was tad lower than our estimate of 3.5% increase. The moderation was broad-based with mining sector growth slowing to 0.4% in Mar'25 (1.3% in Mar'24), manufacturing sector to 3% (5.9%) and electricity output to 6.3% (8.6% in Mar'24). Within manufacturing, out of 23 sub-sectors, 10 of them reported slower growth compared in Mar'24. These included, manufacture of furniture, other transport equipment, fabricated metal, pharma, rubber and plastic products, wearing apparel. On the other hand, following sectors registered stronger growth including manufacture of computer, electrical equipment, machinery equipment, amongst others.

On a yearly basis, IIP growth has eased to 4% (5.9% growth last year) and registered much slower growth across the board. Mining activity growth was down to 2.9% (7.5% in FY24), while manufacturing sector output rose by 3.9% (from 5.5% in FY24). Even electricity growth turned out to be slower at 5.1% against 7.1% growth noted last year. Within the manufacturing, over 12 out of 23 subsectors registered negative growth, these included manufacture of motor vehicles, basic metals, pharma and leather products. Notably, manufacturing of wearing apparel (6% from -14% in FY24) moved in to expansionary zone after contracting in FY24.

Infra and construction output strengthens: Within use-based classification, infrastructure and construction goods output registered a higher growth of 8.8% versus 7.4% in Mar'24. Output of primary goods registered steady growth of 3.1% in Mar'25 against 3% in Mar'24. For other categories, growth slowed down. Output of capital goods noted significant moderation at 2.4% in Mar'25 from 7% in Mar'24, while that of intermediate goods was down to 2.3% from 6.1%. Production of consumer durable goods eased less sharply (6.6% versus 9.5%). Output of consumer non-durables contracted down to (-) 4.7% following against an increase of 5.2% in Mar'24.

On an annual basis, barring consumer durables, broad based softening was noted across all the sectors. Output of primary (3.9% versus 6.1%) and capital goods (5.5% versus 6.3%) rose at a much slower pace. Production of intermediate (4.1% versus 5.3%) and infra goods (6.6% versus 9.7%) also registered moderation for the same period. Output of consumer non-durable goods declined to (-) 1.6% after increasing by 4.1% in FY24. On the bright side, output of consumer durable goods registered a sharp growth of 7.9% in FY25 against 3.6% for the same period last year.

Way forward: Industrial production is expected to grow at a robust pace in the coming quarters supported by pickup in government spending and investment. Some of the high frequency indicators are also signalling uptick in production activity, with improvement noted in manufacturing PMI, e-way bill, higher GST collection. The onset of summer will boost the demand of consumer electronic and bodes well for production. However, there are global headwinds on account of slowdown in global economy and uncertainty on tariffs front which could possibly have an adverse impact on exports. Despite this downside risk, any possible trade negotiations with US or new trade deal will be positive for the overall sector.

Table 1: Weaker IIP growth in FY25

Sectoral (%)	Weight	Mar-24	Feb-25	Mar-25	Apr-Mar'24	Apr-Mar'25
IIP	100.0	5.5	2.7	3.0	5.9	4.0
Mining	14.4	1.3	1.6	0.4	7.5	2.9
Manufacturing	77.6	5.9	2.8	3.0	5.5	3.9
Electricity	8.0	8.6	3.6	6.3	7.1	5.1
Use-Based						
Primary Goods	34.1	3.0	2.8	3.1	6.1	3.9
Capital Goods	8.2	7.0	8.2	2.4	6.3	5.6
Intermediate Goods	17.2	6.1	1.0	2.3	5.3	4.1
Infrastructure and Construction Goods	12.3	7.4	6.8	8.8	9.7	6.6
Consumer Durables Goods	12.8	9.5	3.7	6.6	3.6	7.9
Consumer Non-Durables Goods	15.3	5.2	(2.1)	(4.7)	4.1	(1.6)

Source: CEIC, PIB, Bank of Baroda Research

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