

IIP growth at a 26-month high

IIP growth rose to 7.8% in Dec'25 from 7.2% in Nov'25 and 3.7% in Dec'24. All the sectors have registered an improvement in Dec'25. Mining and electricity output expanded by 6.8% (18-month high) and 6.3% (9-month high) respectively in Dec'25 compared with last year. Manufacturing sector registered a growth of 8.1% in Dec'25, with select sectors such as motor vehicles, computers and electronics contributing to higher growth. Traditional sectors such as wearing apparels, textiles registered slower growth during the same period. Even as external risks persists, Indian economy especially manufacturing continues to remain resilient and is expected to grow at a steady pace amidst support from recent trade agreements. The focus will now shift towards upcoming budget and MPC policy scheduled in the coming weeks.

IIP growth surges: India's IIP growth accelerated to more than 2-year high of 7.8% in Dec'25 from 3.7% in Dec'24 and 7.2% in Nov'25 (revised). On a YoY basis, broad based improvement was noted across all the sectors, with mining growth expanding by 6.8% against 2.7% growth in Dec'24. After registering a contraction for 2-straight months, electricity growth rebounded with 6.3% growth in Dec'25 (6.2% in Dec'24). Manufacturing output registered a growth of 8.1% in Dec'25 compared with a 3.7% growth in Dec'24. Within manufacturing, 16, out of 23 subsectors registered positive rate of growth in Dec'25. Major sectors which registered highest growth in output in Dec'25 include, motor vehicles (33.5%), other transport equipment (25.1%), computer, electronic (34.9%), pharma (10.2%) amongst others. On the other hand, output of following sectors such as electrical equipment, wearing apparel and textiles have registered a contraction during the same period.

Consumer goods outperform: Within use-based classification, output of primary goods edged upwards to a 4-month high to 4.4% in Dec'25 compared with a growth of 3.8% in Dec'24. Infrastructure goods also advanced further as it continued to register a double digit growth of 12.1% (8.4% in Dec'24) in Dec'25, supported by capex push. Consumer durable goods and intermediate goods output too inched up by 12.3% (8.1% in Dec'24) and 7.5% (from 6.4% in Dec'24) respectively in Dec'25. Output of FMCG goods recorded a growth of 8.3% (26-month high) in Dec'25 after contracting by 7.1% in Dec'24. On the other hand, capital goods output moderated to 8.1% (from 10.5% in Dec'24) in Dec'25.

Way forward: On a FYTD basis (Apr-Dec'25), industrial output registered a slower pace of expansion at 3.9% compared with 4.1% in the same period last year. This is led by a weakness in both mining and electricity output. Manufacturing output has improved by 4.8% (from 4.1% for the same period last year). Festive cheer and GST rationalisation measures have resulted in sustained pickup in consumption demand. This has been further corroborated by steady uptick in credit demand. The recent announcement of the FTA with EU which has been touted as 'mother of all deals' is expected to boost manufacturing sector further and will be credit positive. With this, the focus would shift towards upcoming budget and the finalisation of the US-India trade deals in the coming months even as tariff concerns linger.

Table 1: IIP growth scales up in Dec'25

Sectoral (%)	Weight	Dec-24	Nov-25	Dec-25	Apr-Dec'24	Apr-Dec'25
IIP	100.0	3.7	7.2	7.8	4.1	3.9
Mining	14.4	2.7	5.8	6.8	3.3	0.1
Manufacturing	77.6	3.7	8.5	8.1	4.1	4.8
Electricity	8.0	6.2	(1.5)	6.3	5.4	0.5
Use-Based						
Primary Goods	34.1	3.8	2.2	4.4	3.9	0.9
Capital Goods	8.2	10.5	10.1	8.1	5.1	7.3
Intermediate Goods	17.2	6.4	7.4	7.5	4.6	5.5
Infrastructure and Construction Goods	12.3	8.4	13.0	12.1	6.3	9.4
Consumer Durables Goods	12.8	8.1	11.2	12.3	8.7	5.6
Consumer Non-Durables Goods	15.3	(7.1)	8.0	8.3	(1.4)	0.2

Source: CEIC, Bank of Baroda Research

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