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Higher IIP growth

IIP growth edged up to 4% in Sep'25, compared with 3.2% growth in Sep'24. Manufacturing and electricity production improved significantly. Mining output was lower for the same period, partly can be attributed to rainfall. Within manufacturing, sectors such as computer, basic metals and electronic gathered pace and registered much higher growth. Growth in infra and consumer durable sector outshined in Sep'25. The GST rationalisation, early arrival of festive season along with lower inflation, signals the growing strength in the domestic economy, even as uncertainty remains in the global environment. The ongoing reforms exhibit resilience in the economy as these indicators are expected to boost the production and support the growth momentum in H2FY26.

IIP growth accelerates: India's IIP growth rose at a much faster pace of 4% in Sep'25 compared with a 3.2% in Sep'24. On a sequential basis, IIP growth was only marginally lower than the revised growth of 4.1% recorded in Aug'25. The improvement in IIP growth in Sep'25 (vis-à-vis Sep'24) was led by uptick in manufacturing and electricity sector. Manufacturing output registered a growth of 4.8% against 4% in Sep'24. Within manufacturing, 10 out of 23 subsectors registered faster pace of growth this year than previous year. These included, computer, electronics, basic metals, electrical equipment, wood products, motor vehicles amongst others. On the other hand, amongst the major industries which reported slower growth than last year included rubber products, furniture and paper products. Even electricity output increased by 3.1% in Sep'25 after increasing by 0.5% in Sep'24. However, contraction was noted in mining output with growth of (-) 0.4% versus an increase of 0.2% in the same period last year.

Infra and Consumer durable output shines: Within use-based classification, infrastructure and construction goods continued to register robust growth supported by government's continued capex push. Infra goods output rose by 10.5% in Sep'25 compared with just 3.5% in Sep'24. Consumer durable output picked up pace and rose to a 10-month high to 10.2% in Sep'25 after increasing by 6.3% in Sep'24. Even capital and intermediate goods registered a steady growth of 4.7% (3.5% in Sep'24) and 5.3% (4.3% in Sep'24) in Sep'25 respectively. However, slower growth was noted for primary goods at 1.4% (from 1.8% in Sep'24) while FMCG goods registered a contraction of (-) 2.9% after increasing by 2.2% in Sep'24.

Way forward: On a FYTD basis (H1FY26), industrial output registered slower growth at 3% compared with 4.1% in H1FY25. This is led by a weakness in both mining and electricity output which tracked much slower growth this year. Manufacturing output registered stronger growth of 4.1% against 3.8% for the same period last year. The announcement of GST reforms clubbed with festive season is expected to boost consumption demand in the near term. This is likely to offset the ongoing uncertainty pertaining to the trade negotiations.

Table 1: IIP growth improves in Sep'25 versus last year

Sectoral (%)	Weight	Sep-24	Aug-25	Sep-25	Apr-Sep'24	Apr-Sep'25
IIP	100.0	3.2	4.1	4.0	4.1	3.0
Mining	14.4	0.2	6.6	(0.4)	4.1	(1.9)
Manufacturing	77.6	4.0	3.8	4.8	3.8	4.1
Electricity	8.0	0.5	4.1	3.1	6.1	1.0
Use-Based						
Primary Goods	34.1	1.8	5.4	1.4	4.4	0.2
Capital Goods	8.2	3.5	4.5	4.7	4.0	7.5
Intermediate Goods	17.2	4.3	5.2	5.3	4.1	5.3
Infrastructure and Construction Goods	12.3	3.5	10.4	10.5	6.0	8.8
Consumer Durables Goods	12.8	6.3	3.5	10.2	8.6	4.9
Consumer Non-Durables Goods	15.3	2.2	(6.4)	(2.9)	(1.2)	(2.2)

Source: CEIC, Bank of Baroda Research

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