

Industrial production in May'26 improved

Industrial production registered a growth of 5.1% in May'26 against 3.4% growth in May'25. Compared with previous year (May'25), higher growth was noted primarily in manufacturing and electricity generation. Mining growth declined, while water supply, sewage and electricity output noted deceleration. Manufacturing growth came in at 5.5%, supported by manufacture of textiles, basic metals, fabricated metals, and motor vehicles. These are based on new base year which have been revised from 2011-12 to 2022-23. Output of consumer durables improved further, as heatwave and uneven monsoon distribution is keeping demand high. Going forward, as tensions have eased in the West Asia, production will get support from decline in oil and other commodity prices. Firms will also get some relief from re-opening of the Strait of Hormuz. However, complete normalisation of supply chains will take months, hence we maintain cautious view on our full year IIP growth forecast.

IIP growth accelerates: IIP growth rose to 5.1% in May'26 from 4.9% in Apr'26 and from 3.4% in May'25. The data is based on the revised base year of 2022-23 and with the incorporation of a new sector-water supply, sewerage and waste management. The faster growth in industrial production was led by manufacturing and electricity growth. Manufacturing sector recorded 5.5% increase compared with 4.2% increase last year (May'25). Within manufacturing, 10 out of 23 sub sectors reported higher growth for May'26 versus last year. These include manufacture of textiles, paper, chemicals, basic metals, fabricated metals, computer & electronics, motor vehicles, and transport equipment, On the other hand, following sectors registered weaker growth including manufacture coke and petroleum products, plastics, non-metallic minerals, and machinery and equipment. Mining output fell by (-) 1.6% in May'26 following 5.8% growth recorded last year. Growth for water supply, sewage and waste management service slowed to 5.5% from 8.5% last year.

Capital goods output strengthens further: Within use-based classification, broad-based improvement was registered in May'26. Output of capital goods and consumer durables were the major drivers, suggesting pickup in investment and consumption activity. Production of capital goods rose by 12.9% in May'26 (9.5% in May'25) and that of consumer durables jumped to 7.2% (1.9%). Primary goods production also picked up pace by 2.6% from 0.7% last year. Production of intermediate goods (5.8% versus 4.8%), infrastructure goods (5.9% versus 5.7%) and consumer non-durables (3.6% versus 3.3%) also recorded an increase in May'26.

Way forward: Industrial production is expected to pickup some momentum in the coming months as geo-political tensions in West Asia have eased considerably. With the re-opening of the Strait of Hormuz and decline in oil prices, the cost of inputs is expected to come down gradually and supply pressures are also expected to improve. However, it is estimated that it will still take couple of months before all the backlogs can be cleared and supply chains are fully normalised. We thus maintain cautious view on our full year growth forecast. Uneven monsoon distribution so far and impact of El Nino is also expected to continue supporting production of consumer durable and electricity generation, unless spread of monsoon picks up pace.

Table 1: IIP growth in May'26

Sectoral (%)	Weight	May-25	May-26	Apr-May'25	Apr-May'26
IIP	100.0	3.4	5.1	4.1	5.1
Mining	11.1	5.8	(1.6)	3.2	(2.7)
Manufacturing	76.1	4.2	5.5	5.0	5.8
Electricity	10.8	(5.1)	9.9	(1.8)	7.3
Water supply, sewage & waste management	2.0	8.5	5.5	8.4	6.0
Use-Based					
Primary Goods	31.1	0.7	2.6	0.9	1.7
Capital Goods	8.1	9.5	12.9	11.8	12.5
Intermediate Goods	22.4	4.8	5.8	5.8	8.1
Infrastructure and Construction Goods	10.9	5.7	5.9	5.8	6.0
Consumer Durables Goods	11.3	1.9	7.2	3.5	6.4
Consumer Non-Durables Goods	16.1	3.3	3.6	3.3	1.9

Source: PIB, Bank of Baroda Research

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For further details about this publication, please contact:

Economics Research Department

Bank of Baroda

chief.economist@bankofbaroda.com