

IIP growth moderates to 9-month low

IIP growth was lower at 1.2% in May'25 from 6.3% in May'24. Compared with previous year (May'24), slower growth was noted across the board. Manufacturing output slowed most notably, while mining and electricity output contracted. Within manufacturing, major subsectors registered negative growth in May'25 compared with last year. For use-based industries, primary, infra and consumer goods registered moderation in May'25, while capital goods output registered stronger growth. For the near term, the focus would shift towards the possibility of the upcoming bilateral trade deal with the US which bodes well for the growth picture.

IIP growth eases: IIP growth softens to 1.2% in May'25 from 6.3% in May'24 and 2.6% in Apr'25. This was marginally lower than our estimate of 1.5% increase. This was led by broad based moderation across all the sectors. Both mining and electricity sector registered a contraction at (-) 0.1% (against an increase of 6.6% in May'24) and (-) 5.8% (against increase of 13.7% in May'24). Manufacturing sector registered slower growth at 2.6% from 5.1% in May'24. Within manufacturing, out of 23 subsectors, 18 of them reported slower growth compared with last year. These included, manufacture of furniture, computer, electronic, printing and media, fabricated metal, other transport equipment, other manufacturing and electric equipment. On the other hand, following industries registered stronger growth, such as pharma, machinery equipment and other non-metallic minerals amongst others.

Growth in primary durable goods weakens: Within use-based classification, primary good output contracted for the second consecutive month at (-) 1.9% in May'25 and was far lower, compared with an increase of 7.3% growth in May'24. Output of consumer durable good slipped in to contraction to 18-month low to (-) 0.7% in May'25 (from 12.6% in May'24). FMCG goods declined at a tad slower pace in May'25 at (-) 2.4%. In contrast, capital goods registered double digit growth at 14.1% in May'25, much higher than 2.6% growth in May'24. Intermediate good output rose at a steady pace at 3.5% in May'25. Slower growth was registered for infra goods (6.3% in May'25 against 7.6% in May'24).

Way forward: On a FYTD basis, industrial output registered slower growth at 1.8% compared with 5.7% in Apr-May'24. For the same period, manufacturing growth softened to 2.8% (from 4.6% in Apr-May'24). In the near term, electricity growth is expected to moderate with slower demand. However, certain high frequency indicators have been signalling some optimism as reflected by strong PMIs and steady GST collections. Additionally, ongoing developments on trade deal front along with easing of the risks in Middle East, are key positives. In the coming months, steady pick up in government capex will provide much needed support to industrial output.

Table 1: Weaker IIP growth noted in May'25

Sectoral (%)	Weight	May-24	Apr-25	May-25	Apr-May'24	Apr-May'25
IIP	100.0	6.3	2.6	1.2	5.7	1.8
Mining	14.4	6.6	(0.2)	(0.1)	6.6	(0.1)
Manufacturing	77.6	5.1	3.1	2.6	4.6	2.8
Electricity	8.0	13.7	1.7	(5.8)	12.0	(2.2)
Use-Based						
Primary Goods	34.1	7.3	(0.2)	(1.9)	7.2	(1.1)
Capital Goods	8.2	2.6	14.0	14.1	2.8	14.0
Intermediate Goods	17.2	3.5	4.9	3.5	3.6	4.2
Infrastructure and Construction Goods	12.3	7.6	4.7	6.3	8.0	5.5
Consumer Durables Goods	12.8	12.6	6.2	(0.7)	11.6	2.6
Consumer Non-Durables Goods	15.3	2.8	(2.7)	(2.4)	0.1	(2.6)

Source: CEIC, Bank of Baroda Research

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