

## **IIP growth at a 15-month low**

*IIP growth eased to 0.4% in Oct'25 from 4% in Sep'25, and 3.7% in Oct'24. Electricity and mining activity contracted while manufacturing output also eased. Lower temperature and rainfall can explain the decline in electricity production. Mining output has continued to remain under pressure for a larger part of this year. Within manufacturing, impact of higher tariffs is evident with output of export-oriented sectors witnessing a decline. Textiles, chemicals, pharma and leather are a few sectors which have reported a decline in production. On the other hand, vehicles and electronics have emerged as bright spots. Infra output too has maintained momentum due to government's capex push but can turn back due to fiscal concerns. While the economy remains on a strong growth trajectory, external risks cannot be ignored. Uncertainty over the US-India trade deal is likely to weigh on the manufacturing sector in the near-term and a swift resolution is needed for a revival in the industrial sector.*

**IIP growth eases:** India's IIP growth moderated to a 15-month low of 0.4% in Oct'25 from 3.7% in Oct'24 and 4.6% in Sep'25 (revised). On a YoY basis, electricity output contracted sharply by 6.9% in Oct'25 compared with 2% growth in Oct'24. This in turn has been attributed to lower temperature and unseasonal rainfall in parts of the country. Mining output contracted for the second straight month and declined by 1.8% compared with an increase of 0.9% in Oct'24. Manufacturing output also moderated to 1.8% in Oct'25, after increasing by 4.4% in the same period last year. Within manufacturing, 9 out of a total of 23 subsectors registered positive rate of growth in Oct'25. Major sectors which registered highest growth in output in Oct'25 include computer and electronics (9.1%), motor vehicles (5.8%) and basic metals (6.6%). On the other hand, output of traditional export-oriented sectors such as leather (-16.4%), textiles (-2.4%), wearing apparel (-6.1%), chemicals (-2.8%) and pharma (-1.8%) contracted.

**Infra and construction good outperform:** Within use-based classification, output of infrastructure and construction goods increased by 7.1% in Oct'25 compared with 4.7% in Oct'24. This can be attributed to higher government capex spending. On the other hand, output of all other sub-sectors eased in Oct'25. Most significantly, there was a sharp contraction in the output of consumer non-durables to -4.4% compared with an increase of 2.8% in Oct'24. Even consumer durables output contracted by 0.5% in Oct'25 compared with a gain of 5.5% in Oct'24. Along similar lines, primary goods too contracted by 0.6% in Oct'25. Output of intermediate goods also eased to 0.9% from 4.8% in Oct'24. However, capital goods were broadly steady at 2.4% in Oct'25 versus 2.9% in Oct'24.

**Way forward:** On a FYTD basis (Apr-Oct'25), industrial output registered a slower pace of expansion at 2.8% compared with 4% in the same period last year. This is led by a weakness in both mining and electricity output. Manufacturing output has remained steady at 3.9%. Domestic growth has seen a significant momentum due to the conflux of festive demand as well as GST rate cuts. The momentum is expected to sustain in the coming months. Credit demand has picked up pace, with credit growth to the industries increasing by 10% in Oct'25, compared with 8.1% in Oct'24. Within this, credit growth to micro and small and medium enterprises is registering double-digit growth suggesting that investment demand is recovering. However, US tariffs continue to impart a high degree of uncertainty

to the outlook. India's exports contracted by 11.8% in Oct'25. The manufacturing PMI survey for Nov'25 also suggest that companies remain wary of the tariff impact, with a decline noted in business confidence and new export orders. While there are signs of possible export diversification to other markets, it will take some time to fully scale up and offset the size of the US market. In this regard, successful completion of US-India trade deal would be crucial for a meaningful recovery in India's manufacturing sector.

**Table 1: IIP growth falters in Oct'25**

Sectoral (%)	Weight	Oct-24	Sep-25	Oct-25	Apr-Oct'24	Apr-Oct'25
IIP	100.0	3.7	4.6	0.4	4.0	2.7
Mining	14.4	0.9	(0.4)	(1.8)	3.6	(1.9)
Manufacturing	77.6	4.4	5.6	1.8	3.9	3.9
Electricity	8.0	2.0	3.1	(6.9)	5.4	(0.0)
<b>Use-Based</b>						
Primary Goods	34.1	2.5	1.3	(0.6)	4.1	0.1
Capital Goods	8.2	2.9	5.4	2.4	3.8	6.8
Intermediate Goods	17.2	4.8	6.3	0.9	4.3	4.8
Infrastructure and Construction Goods	12.3	4.7	10.6	7.1	5.8	8.5
Consumer Durables Goods	12.8	5.5	10.0	(0.5)	8.1	4.1
Consumer Non-Durables Goods	15.3	2.8	(0.3)	(4.4)	(0.7)	(2.2)

Source: CEIC, Bank of Baroda Research

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