FIRST LIGHT

30 September 2025

RESEARCH

BOB ECONOMICS RESEARCH | IIP

IIP growth improves

SUMMARY

INDIA ECONOMICS: IIP

IIP growth picked up to 4% in Aug'25, compared with a flat growth in Aug'24. Mining production improved significantly, rebounding from a decline of 4.3% in Aug'24 to 6% in Aug'25. Electricity output was also higher. More importantly, manufacturing output improved to 3.8% in Aug'25 from 1.2% in Aug'24. Performance within manufacturing was mixed, with production of transport equipment and vehicles and basic metals registering a stronger growth momentum vis-à-vis last year. On the other hand, export oriented sectors such as textiles, wearing apparels, pharma and chemicals continued to show weaker growth, likely due to the tariff impact. In the coming days, festive demand, along with recent government policies should likely aid a more broad-based recovery in domestic production. In particular, we expect a strong recovery in production of consumer non-durables and auto products.

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IIP

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IIP growth improves

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Economist

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IIP growth eases: India's IIP growth improved to 4% in Aug'25 compared with a flat reading (0%) in Aug'24. On a sequential basis, IIP growth was only marginally lower than the revised growth of 4.3% recorded in Jul'25. The improvement in IIP growth in Aug'25 (vis-à-vis Aug'24) was led by a broad-based improvement across sectors. Electricity output rose by 4.1% in Aug'25, versus a decline of 3.7% in Aug'24. On the other hand, mining output increased by 6% in Aug'25 compared with a decline of 4.3% in the same period last year. Manufacturing output increased by 3.8% in Aug'25, after increasing by 1.2% in Aug'24. Within manufacturing, 9 out of the 23 subsectors reported a faster pace of growth compared with last year. These included, machinery and equipment, motor vehicles and basic metals amongst others. On the other hand, amongst the major industries which reported slower growth than last year included computer and electronic products, wearing apparel and food products.

Growth in infra goods at 21-month high: Within use-based classification, infrastructure and construction goods continued to exhibit strong growth momentum driven by government's continued capex push. Output of infra goods rose by 10.6% in Aug'25 compared with just 2.7% in Aug'24. Other categories also noted an improvement when compared with last year. For instance, production of primary goods rose by 5.2% in Aug'25, following a 2.6% decline in Aug'24. Capital goods also registered an improvement in growth. However, growth in both consumer durables and non-durables continues to track lower than last year. In fact, output of consumer non-durables declined sharply by 6.3% in Aug'25 (-4.4% in Aug'24). At the same time, output of consumer durables also moderated to 3.5% versus 5.4% in Aug'24.

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