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31 August 2026

RESEARCH

BOB ECONOMICS RESEARCH | IIP

Industrial production remains at a healthy level

SUMMARY

INDIA ECONOMICS: IIP

Industrial production registered a growth of 6.7% in Jul'26 against 5.4% growth in Jul'25. Compared with previous year (Jul'25), higher growth was noted primarily in manufacturing and electricity generation. Mining growth declined, while growth in output of water supply, and sewage management remained broadly steady. Manufacturing growth came in at 7.3%, supported by manufacture of wearing apparels, chemicals, computer and electronics, electrical equipment, motor vehicles, and other transport equipment. Output of capital goods, intermediate goods, and consumer durables also improved notably in Jul'26 compared with last year.

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IIP

28 August 2026

Industrial production remains at a healthy level

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Heatwave conditions have support demand for consumer durables so far. Going forward, as tensions between US and Iran remain escalated, and key shipping routes are still under threat, global commodity prices are volatile. Limited pass-through in output prices implies that margins can expected to remain under pressure for some more time, until shipping activity normalises. Hence, we maintain cautious view on our full year IIP growth forecast. However, domestic measures to boost manufacturing and limited impact of erratic monsoon on consumer demand, will help support growth.

IIP growth accelerates: IIP growth rose to 6.7% in Jul'26 from 5.4% in Jul'25. However, it eased from 8.8% in Jun'26. The faster growth in industrial production was led by manufacturing and electricity growth. Manufacturing sector recorded 7.3% increase compared with 5.1% increase last year (May'25). Within manufacturing, 15 out of 23 sub sectors reported higher growth for Jul'26 versus last year. These include wearing apparels, paper, chemicals, coke & refined petroleum products, rubber, non-metallic mineral products, computer & electronics, electrical equipment, machinery, motor vehicles, and transport equipment, On the other hand, following sectors registered weaker growth including tobacco products, textiles, basic metals, fabricated metal products, pharmaceuticals, and furniture.

Electricity production was also higher at 8.7% versus 2.4%, due to hotter than expected weather conditions on account of El Nino. Pickup in manufacturing activity also contributed higher electricity demand. Electricity generation from non-renewable sources picked up pace, while that from renewable sources slowed. In contrast, mining output fell by (-) 0.9% in Jul'26 following 10.7% growth recorded last year, dragged by non-metallic minerals and fuel minerals. Growth for water supply, sewage and waste management service was broadly stable at 7.4% versus 7.5% in Jul'25.

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