

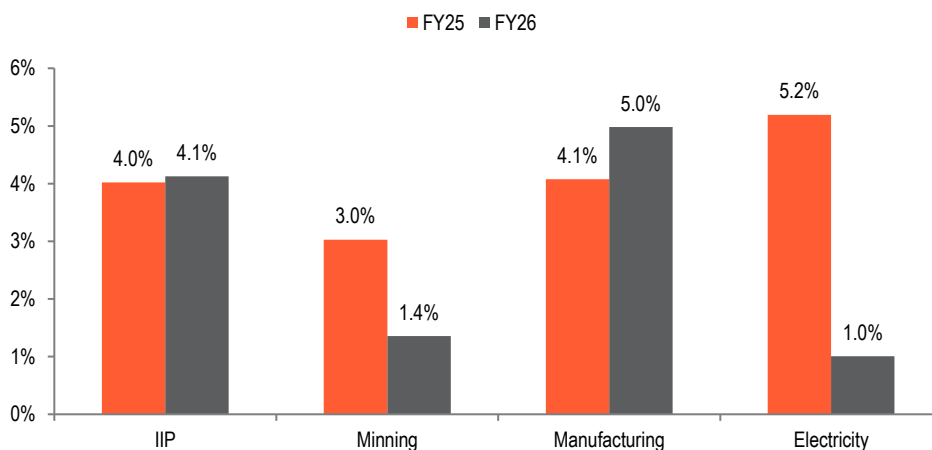
IIP growth inch up in FY26

IIP growth rose to 4.1% in Mar'26 from 3.9% in Mar'25 but was lower compared with 5.1% growth in Feb'26. Compared with previous year (Mar'25), higher growth was noted for both manufacturing and mining sector. Electricity output decelerated in Mar'26. On an annual basis, IIP growth edged up to 4.1% from 4% in FY25, with growth in only manufacturing sector registered an increase. Within manufacturing, majority of the subsectors registered positive growth in FY26 compared with last year. For use-based industries, with the exception of primary and consumer durables, all the other industries registered higher growth in FY26. For FY27, we expect production to grow at steady pace as has been noted by the high frequency indicators such as manufacturing PMI and GST collection. However, there are headwinds to global growth and growing volatility which requires careful monitoring, with focus on manufacturing sector.

IIP growth improves: IIP growth edged up to 4.1% in Mar'26 from 3.9% in Mar'25. This was led by improvement, with mining sector registering a growth of 5.5% in Mar'26 (1.2% in Mar'25) and manufacturing sector growing at 4.3% (from 4%) in Mar'26. However, electricity output softened to 0.8% compared with 7.5% growth in Mar'25. Within manufacturing, out of 23 sub-sectors, 12 of them reported slower growth compared with Mar'25. These included, manufacture of computer, electronic, wood product, wearing apparel, textiles, electrical equipment and other manufacturing products. On the other hand, following sectors registered stronger growth including manufacture of other transport equipment, furniture, fabricated metal, motor vehicles, pharma, and paper products, amongst others.

On a yearly basis, IIP growth has largely remained steady at 4.1% (4% growth last year) with manufacturing output (5% from 4.1% in Mar'25) accelerating. Other sectors such as mining activity and even electricity registered much slower growth in FY26 at 1.4% (3% in FY25) and 1% (from 5.2% in FY25) respectively.

Fig 1: India's Industrial production growth



Source: PIB, Bank of Baroda Research

Capital goods output strengthens: Within use-based classification, capital goods output registered a robust double digit growth of 14.6% in Mar'26 against 3.6% in Mar'25. Even, consumer non-durable goods registered an improvement, as it clocked 1.1% growth in Mar'26 against a contraction of (-) 4%

in Mar'25. Primary goods output eased and registered 2.2% growth in Mar'26 against 3.9% growth in Mar'25. Infrastructure and consumer durable goods also registered moderation with a growth of 6.7% (9.9% in Mar'25) and 5.3% (6.9% in Mar'25) in Mar'26 respectively. Intermediated goods (3.3% from 3.8%) also rose at a slower pace in Mar'26 compared with last year.

On an annual basis, barring consumer durables and primary goods, all the other sectors have noted a broad based improvement broad based. Output of capital (8.3% versus 5.6%) and infrastructure goods (9.8% versus 6.7%) rose at a much faster pace. Production of intermediate goods (5.5% versus 4.3%) also registered higher growth for the same period. After declining by (-) 1.5% in FY25, output of consumer non-durable goods registered a higher growth of 0.1% in FY26.

Way forward: Industrial production is expected to grow at a stable pace in the coming quarters supported by steady growth in government spending and investment. Some of the high frequency indicators are also signalling uptick in production activity, with improvement noted in manufacturing PMI and higher GST collection. The onset of summer along with heatwave like conditions will boost the demand of consumer electronic and bodes well for production. Electricity demand is also expected to pick up in the near term. However, there are global headwinds on account of slowdown in global economy and uncertainty on geopolitics front which could possibly have an adverse impact on exports, pose supply chain challenges and result in elevated commodity price pressure. Despite this downside risk, India should be able to withstand the shock on the back of strong macro-fundamentals.

Table 1: Weaker IIP growth in FY26

Sectoral (%)	Weight	Mar-25	Feb-26	Mar-26	Apr-Mar'25	Apr-Mar'26
IIP	100.0	3.9	5.1	4.1	4.0	4.1
Mining	14.4	1.2	3.1	5.5	3.0	1.4
Manufacturing	77.6	4.0	5.9	4.3	4.1	5.0
Electricity	8.0	7.5	2.3	0.8	5.2	1.0
Use-Based						
Primary Goods	34.1	3.9	1.8	2.2	3.9	1.2
Capital Goods	8.2	3.6	12.4	14.6	5.6	8.3
Intermediate Goods	17.2	3.8	7.2	3.3	4.3	5.5
Infrastructure and Construction Goods	12.3	9.9	11.1	6.7	6.7	9.8
Consumer Durables Goods	12.8	6.9	7.1	5.3	7.9	5.9
Consumer Non-Durables Goods	15.3	(4.0)	(0.5)	1.1	(1.5)	0.1

Source: CEIC, PIB, Bank of Baroda Research

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