बैंक ऑफ़ बड़ौदा
Bank of Baroda

28 Jul 2026

Jahnavi Prabhakar
Economist

Industrial production quickens in Jun'26

Industrial production growth scaled to a near 2-year high as registered a growth of 7.3% in Jun'26 from 2.2% growth noted in Jun'25. Compared with previous year (Jun'25), higher growth was noted primarily in manufacturing and electricity generation. Mining growth and water supply, sewage output noted deceleration. Manufacturing growth came in at 7.8%, supported by manufacture of electric equipment and motor vehicles. Within electricity, higher growth was noted under non-renewable sources (13% from -9.4% in Jun'25). On the other hand, water supply output noted moderation with 4.5% growth in Jun'26 against 7.6% growth last year for the same period. In comparison with last year, output of capital, FMCG and consumer durable goods continue to perform much better in Jun'26. The recent pause in the strikes has raised hope of de-escalation once again in the ongoing West Asia conflict which is expected to be positive for industrial sector. However, given the situation remain fluid, careful monitoring is required.

IIP growth surges: IIP growth accelerates to 7.3% (23-month high) in Jun'26 from 5% in May'26 and from 2.2% in Jun'25. The faster growth in industrial production was attributed to strong growth in manufacturing and electricity output. Manufacturing sector registered a 7.8% growth (4-month high) compared with 2.4% increase last year (Jun'25). Within manufacturing, 19 out of 23 sub sectors reported higher growth for Jun'26 versus last year. Of this, manufacture of electric equipment (34% from 4%), motor vehicles, trailer (17.5% from 0.6%) and food products (10.8% after declining by -0.9%) were the biggest contributors. These were followed by textiles, leather products, other non-metallic minerals, paper and paper products amongst others. On the other hand, following sectors registered weaker growth including manufacture of wood products, wearing apparel, furniture products. Electricity output continue to record double digit growth for 2-month in a row 10.6% in Jun'26 after declining by 2% in Jun'25. Both Mining as well as water supply, sewage and waste management output registered slower growth at 1% (from 4.1% in Jun'25) and 6.1% (7.9% in Jun'25) respectively in Jun'26 from last year for the same period.

On a cumulative basis, IIP has registered higher growth of 5.8% in Q1FY27 against 3.4% growth in Q1FY26 as manufacturing (6.3% against 4.1%) and electricity (8.6% against -1.8%) output gather pace in the same period.

Capital goods output continues to shine: Within use-based classification, broad-based improvement was registered in Jun'26. Output of capital goods and consumer non-durables were the major drivers, suggesting pickup in investment and consumption activity. Production of capital goods expanded by 14.2% in Jun'26 (3.4% in Jun'25) and that of FMCG output rose to 4.9% after contracting by 2% in Jun'25. Intermediate goods production also picked up pace by 9.3% from 3.1% last year. Production of consumer durable goods (7.7% versus 1.4%), primary goods (4.9% versus 2.1%) and infrastructure and construction (7.5% versus 6.6%) also recorded an increase in Jun'26.

Way forward: In the near term, we expect further recovery in industrial production with a pick up expected in exports. This will be on the back of recent trade agreements in place along with easing of geopolitical tensions in the Middle East, given the recent pause in hostilities between US-Iran which has fuelled hopes of a diplomatic breakthrough. Recent moderation in oil prices along with lower pressure on margins due to easing input cost on a gradual basis, also provide hope for manufacturing sector. Given, the supply chain normalisation will take some time and uncertainty still prevails, we remain cautious on growth estimate. The monsoon distribution also remains a key monitorable amidst the growing risk of El Nino which can adversely impact rural demand.

Table 1: IIP growth in Jun'26

Sectoral (%)	Weight	Jun-25	Jun-26	Apr-Jun'25	Apr-Jun'26
IIP	100.0	2.2	7.3	3.4	5.8
Mining	11.1	4.1	1.0	3.5	(1.4)
Manufacturing	76.1	2.4	7.8	4.1	6.3
Electricity	10.8	(2.0)	10.6	(1.8)	8.6
Water supply, sewage & waste management	2.0	7.9	6.1	8.2	6.0
Use-Based					
Primary Goods	31.1	2.1	4.9	1.2	2.9
Capital Goods	8.1	3.4	14.2	8.8	14.0
Intermediate Goods	22.4	3.1	9.3	5.0	8.5
Infrastructure and Construction Goods	10.9	6.6	7.5	6.1	6.8
Consumer Durables Goods	11.3	1.4	7.7	2.8	7.2
Consumer Non-Durables Goods	16.1	(2.0)	4.9	1.6	1.5

Source: PIB, Bank of Baroda Research

Disclaimer

Visit us at www.bankofbaroda.com

For further details about this publication, please contact:

Economics Research Department
Bank of Baroda
chief.economist@bankofbaroda.com