

## **IIP growth softens to 8-month low**

*IIP growth was lower at 2.7% in Apr'25 from 5.2% in Apr'24 and 3.9% in Mar'25. Compared with previous year (Apr'24), slower growth was noted across the board. Manufacturing and electricity output slowed most notably, while mining sector output contracted. Within manufacturing, certain subsectors registered negative growth in Apr'25 compared with last year. For use-based industries, capital intermediate and FMCG goods registered improvement in Apr'25, while other industries registered slower growth. For the near term, there are downside risk emerging from volatility due to trade tariffs. However, tailwinds from lower inflation, commodity prices and easing monetary cycle will provide much needed support to industrial sector.*

**IIP growth moderates:** IIP growth eases to 2.7% in Apr'25 from 5.2% in Apr'24 and 3.9% in Mar'25. This was a positive surprise as it was surpassed our estimate of 0.8% increase. The moderation was broad-based with contraction noted in mining sector growth at (-) 0.2% in Apr'25 against an increase of 6.8% in Apr'25. Both manufacturing and electricity growth slowed down to 3.4% (4.2%) and 1.1% (10.2% in Apr'24) respectively in the same period. Within manufacturing, out of 23 sub-sectors, 9 of them reported slower growth compared with Apr'24. These included, manufacture of furniture, other transport equipment, pharma, refined petroleum product, basic metals, wearing apparel and others. On the other hand, following sectors registered stronger growth including manufacture of wood products, machinery equipment, and electrical equipment, amongst others.

**Lower growth in primary goods:** Within use-based classification, output of primary good declined to 8-month low to (-) 0.4% in Apr'25 compared with an increase of 7.0% in Apr'24. Infrastructure and construction goods output softened to 4% in Apr'25 against 8.5% increase in Apr'24. Slower growth was also noted for consumer durable output at 6.4% versus 10.5% growth in Apr'24. However, capital goods output registered double digit growth climbing to 18-month high with growth of 20.3% (2.8% in Apr'24). Some improvement was also seen with output of intermediate goods as it registered a growth of 4.1% from 3.8% for the same period last year. Additionally, slower pace of contraction was registered for FMCG goods at (-) 1.7% in Apr'25 after declining by (-) 2.5% in Apr'24.

**Way forward:** Sectoral headwinds on account of escalated global trade tensions and uncertainty on tariff front, resulted in slower growth in Industrial output in Apr'25. However, any negotiations and a possibility of a new bilateral trade agreement between India and US bodes well for manufacturing growth. Overall, the Industrial production is expected to grow at a steady pace as has been evident from high frequency indicators such as uptick in manufacturing PMI and higher GST collection along with export growth. Steady pick up in government capex and investment activity in the coming months will provide further support.

**Table 1: Weaker IIP growth in Apr'25**

| Sectoral (%)                          | Weight | Apr-24 | Mar-25 | Apr-25 |
|---------------------------------------|--------|--------|--------|--------|
| IIP                                   | 100.0  | 5.2    | 3.9    | 2.7    |
| Mining                                | 14.4   | 6.8    | 1.2    | (0.2)  |
| Manufacturing                         | 77.6   | 4.2    | 4.0    | 3.4    |
| Electricity                           | 8.0    | 10.2   | 7.5    | 1.1    |
| Primary Goods                         | 34.1   | 7.0    | 3.9    | (0.4)  |
| Capital Goods                         | 8.2    | 2.8    | 3.6    | 20.3   |
| Intermediate Goods                    | 17.2   | 3.8    | 3.8    | 4.1    |
| Infrastructure and Construction Goods | 12.3   | 8.5    | 9.9    | 4.0    |
| Consumer Durables Goods               | 12.8   | 10.5   | 6.9    | 6.4    |
| Consumer Non-Durables Goods           | 15.3   | (2.5)  | (4.0)  | (1.7)  |

Source: CEIC, PIB, Bank of Baroda Research

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