

Industrial production surges in Aug'26

Industrial production registered a robust growth of 8% in Aug'26 from 4.7% growth noted in Aug'25. Compared with previous year (Aug'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 9%, supported by manufacture of motor vehicles and electric equipment. Within electricity, higher growth was noted under non-renewable sources (12.3% from -1% in Aug'25). On the other hand, water supply output noted moderation with 4.5% growth in Aug'26 against 6.9% growth last year for the same period. In comparison with last year, output of capital, intermediate and consumer goods performed much better in Aug'26. The overall sector has registered a strong performance, however there are downside risks to growth due to geopolitical tensions. The ongoing stalemate in US-Iran peace talks has raised concerns which might pose some challenges in terms of intensifying price pressure. However, given the situation remain fluid, careful monitoring is required.

IIP growth quickens: IIP growth accelerates to 8% (2-month high) in Aug'26 from 7.4% in Jul'26 and from 4.7% in Aug'25. The faster growth in industrial production was attributed to strong growth in manufacturing and electricity output. Manufacturing sector registered a 9% growth compared with 3.6% increase last year (Aug'25). Within manufacturing, 18 out of 23 sub sectors reported higher growth for Aug'26 versus last year. Of this, manufacture of motor vehicles (25.2% from 2.8%), electric equipment (30.9% from 9%), rubber and plastic products (21.4% from 2.5%), fabricated metal and other transport equipment (25.3% from 10.3%) were the biggest contributors. These were followed by textiles, leather products, computer, electronic product amongst others. On the other hand, following sectors registered weaker growth including basic metals, refined petroleum products, wearing apparel and others. Electricity output continues to record double digit growth to 12.3% (more than 2-year high) in Aug'26 after increasing by 3.7% in Aug'25. Moderation was noted in water supply, sewage and waste management output at 6.3% (from 6.9% in Aug'25) in Aug'26. Mining output registered contraction with a growth of (-) 5.6% against an expansion of 15.8% from last year for the same period.

Intermediate and consumer goods output shines: For use-based classification, broad-based improvement was registered in Aug'26, with the exception of primary goods output. In comparison with Aug'25, output of capital (16.9% from 6% in Aug'25) and intermediate (13.7% from 3.3%) goods continue to register double digit expansion in Aug'26, signalling some pickup in investment activity. Even infra good output continues to expand at a stronger pace with a growth of 12% (from 9.2% in Aug'25). Slower pace of growth was noted for primary (3.5% from 7.6% in Aug'25) goods output in Aug'26. Within consumer good, durable good registered a growth of 11.1% against 0.9% growth in Aug'25. Furthermore, FMCG good too registered an improvement with 2.1% growth from 0.1% growth noted in Aug'25.

Way forward: In the near term, economy is expected to grow at a steady pace supported by recent high frequency indicators such as double-digit growth in power demand, stable GST collection, strong export growth, moderation in CAD along with acceleration in auto sales and advancement in PMIs.

These are expected to be positive and bodes well for the industrial sector. However, the ongoing deadlock between US-Iran, the closure of strait of Hormuz is expected to keep commodity prices elevated which could adversely impact inflation and higher input costs could feed into the margins. This along with upcoming closure of Southwest Monsoon remains a key monitorable ahead of the festive season.

Table 1: IIP growth in Aug'26

Sectoral (%)	Weight	Aug-25	Aug-26	Apr-Aug'25	Apr-Aug'26
IIP	100.0	4.7	8.0	4.2	6.7
Mining	11.1	15.8	(5.6)	6.8	(2.0)
Manufacturing	76.1	3.6	9.0	4.2	7.4
Electricity	10.8	3.7	12.3	0.1	9.5
Water supply, sewage & waste management	2.0	6.9	6.3	7.8	6.4
Use-Based					
Primary Goods	31.1	7.6	3.5	3.1	3.4
Capital Goods	8.1	6.0	16.9	7.6	16.3
Intermediate Goods	22.4	3.3	13.7	4.3	10.0
Infrastructure and Construction Goods	10.9	9.2	12.0	7.7	7.3
Consumer Durables Goods	11.3	0.9	11.1	2.6	9.4
Consumer Non-Durables Goods	16.1	0.1	2.1	2.1	1.2

Source: PIB, Bank of Baroda Research

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