

## **Manufacturing sector holds ground**

*IIP growth was lower at 3.5% in Jul'25 compared with 5% in Jul'24, however it was higher than 1.5% in Jun'25. Compared with previous year (Jul'24), slower growth was noted mainly in the mining and electricity production. Manufacturing output accelerated to 6-month high in Jul'25. Within manufacturing, major sub-sectors which registered higher growth compared with last year included basic metals, machinery and motor vehicles. In case of use-based industries, infrastructure and construction goods growth touched 21-month high and that of consumer non-durables also performed well. On the other hand, growth of primary goods continued to contract, while that of consumer durables, intermediate and capital goods noted some moderation. This sector is set to get a substantial boost from upcoming reduction in GST rates. Steady domestic consumption so far (as reflected in GST collections) also provide a positive outlook for the upcoming festive demand.*

**IIP growth eases:** IIP growth eased to 3.5% in Jul'25 from 5.0% in Jul'24, however it was up from 1.5% in Jun'25. This is higher than our estimate of 2.5-3% increase. This was led by moderation in mining and electricity production. Mining sector growth fell by (-) 7.2% in Jul'25 after rising by 3.8% in Jul'24. Electricity output in Jul'25 rose by 0.6% compared with 7.9% growth recorded in Jul'24. In contrast, manufacturing sector provided a boost to the headline growth, as it rose by 5.4% versus 4.7%. Within manufacturing, out of 23 subsectors, 7 of them (accounting for ~37% of the total weight) reported a faster growth compared with last year. These included, manufacture of basic metals, food products, pharma products, motor vehicles, machinery and equipment, and other non-metallic mineral products. On the other hand, amongst the major industries which reported slower growth than last year included manufacture of coke, petroleum and chemicals and products.

**Growth in infra goods at 21-month high:** Within use-based classification, infrastructure and construction goods production rose by 11.9% in Jul'25 from 5.5% Jul'24, tracking revival in government spending. In Q1FY26 alone, centre's capex had risen by 52%, following (-) 35% decline in Q1FY25 (due to election related spending restrictions). Apart from this consumer non-durables showed improvement in growth (0.5% versus -4.2%). Primary goods output continues to decline (-1.7% versus 5.9%), while output of others such as capital goods (5% versus 11.7%), intermediate goods (5.8 versus 7%), and consumer durables (7.7% versus 8.2%) registered some moderation.

**Way forward:** On a FYTD basis (Apr-Jul'25), industrial output registered slower growth at 2.3% compared with 5.4% in Apr-Jul'24. For the same period, manufacturing growth softened to 3.9% from 4.4% during the same period last year. This aligns with the trend seen in overall trade growth which has registered 3.1% increase in FYTD26 so far (till Jul'25) compared with 4.6% growth last year (till Jul'24). In contrast, exports of certain product heads like engineering goods, chemicals and electronics have performed better on the export metric than production metric (front loading of exports could be a reason). The steady rise in GST collections (10.7% in Apr-Jul'25 versus 10.2% in Apr-Jul'24) indicates that domestic consumption remains strong. Improvement in consumer non-durables is already visible. Going ahead, as GST rates are rationalised, manufacturing is poised get a booster dose in the upcoming festive season.

**Table 1: Weaker IIP growth noted in July'25 versus last year**

Sectoral (%)	Weight	Jul-24	Jun-25	Jul-25	Apr-Jul'24	Apr-Jul'25
IIP	100.0	5.0	1.5	3.5	5.4	2.3
Mining	14.4	3.8	(8.7)	(7.2)	6.9	(3.9)
Manufacturing	77.6	4.7	3.7	5.4	4.4	3.9
Electricity	8.0	7.9	(1.2)	0.6	10.1	(0.9)
<b>Use-Based</b>						
Primary Goods	34.1	5.9	(2.5)	(1.7)	6.6	(1.4)
Capital Goods	8.2	11.7	3.0	5.0	5.2	8.6
Intermediate Goods	17.2	7.0	5.5	5.8	4.4	5.2
Infrastructure and Construction Goods	12.3	5.5	6.7	11.9	7.4	7.5
Consumer Durables Goods	12.8	8.2	2.8	7.7	10.1	3.8
Consumer Non-Durables Goods	15.3	(4.2)	(0.9)	0.5	(1.3)	(1.0)

Source: CEIC, Bank of Baroda Research

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