

Industrial Production in Jul'26 likely to grow at 7.2% y/y

- Index of Industrial Production (IIP)** is estimated to grow by 7.2% (y/y) in Jul'26, vis-a-vis 7.4% (y/y) in Jun'26 and 5.3% in Jul'25. **Mining sector** to grow by 8.5% in Jul'26, up from its earlier low of 1.0% in Jun'26. **Manufacturing sector** to grow by 8.5% (y/y) in Jul'26, up from 7.8% (y/y) in Jun'26, amid optimism in overall activities. The new component in the index comprising of Water Supply, Sewerage & Waste Management with 4.9% weight to grow by 4.9% in Jul'26.
- High-frequency indicators** suggest that overall economic activity remained strong in July 2026 though some loss of momentum was witnessed. **Manufacturing PMI** stayed in the expansionary zone, though moderated to lowest levels since . **GST revenue collections** picked up during the month driven largely by a sharp increase in tax revenues from imports. E-way bills continued to achieve double-digit growth in Jul'26. Growth in petrol and diesel consumption (Volume) gained strength in July. **Electricity demand continued to register** double digit growth partly due to warm conditions and the delayed onset of monsoon. **Digital payments** value registered steady growth in Jun'26. **Domestic demand** was supported by pick-up in rural demand in July. Tractor sales accelerated with the commencement of kharif sowing activities; while two-wheeler sales recorded robust growth supported by strong entry level demand (28.2% y/y in Jul'26 up from 22.1% y/y in Jun'26).
- Government's capital** expenditure sustained its double-digit growth, reflecting Government's sustained focus on public investment which is expected to continue support growth in capital goods. Also, intermediate and infrastructure/construction goods growth sectors are also likely to show healthy growth. Steel and cement sectors continued to display strong growth in Jul'26, driven by government capex as reflected in core sector (y/y) growth in cement (13.1%) and steel (2.9%) production in Jul'26.
- Index of core industries (revised base of 2022-23)**, forming a significant part of the IIP, has seen to grow by 5.4% in Jul'26, up from 5.0% in Jun'26, accelerated to a 7-month high in July 2026, mainly supported by electricity and iron ore production.

Outlook of industrial output:

- India's Industrial production growth is to remain robust in July amid sustained momentum in demand conditions despite global uncertainty. Sustained government capex remains a positive for infrastructure and capital goods. Going forward, we expect upcoming festive season to support consumer demand yet monsoon (spatial and temporal along with crop sowing trends) also on close watch given the impact on rural demand dynamics.

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Fig 1: IIP to improve in Jul'26; % y/y

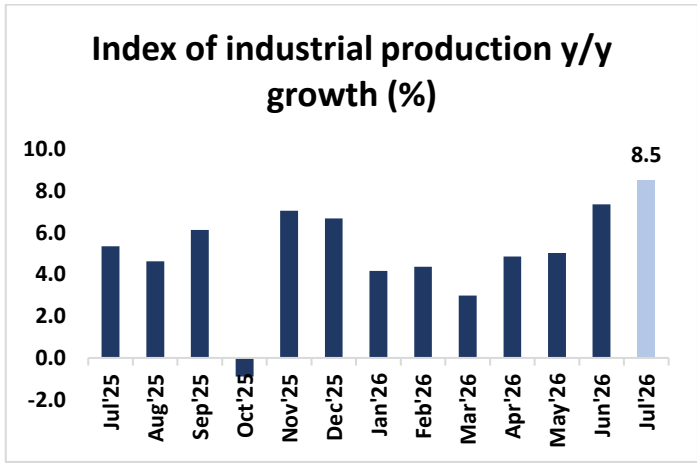


Fig 2: Manufacturing led Jul'26 IIP growth; % y/y

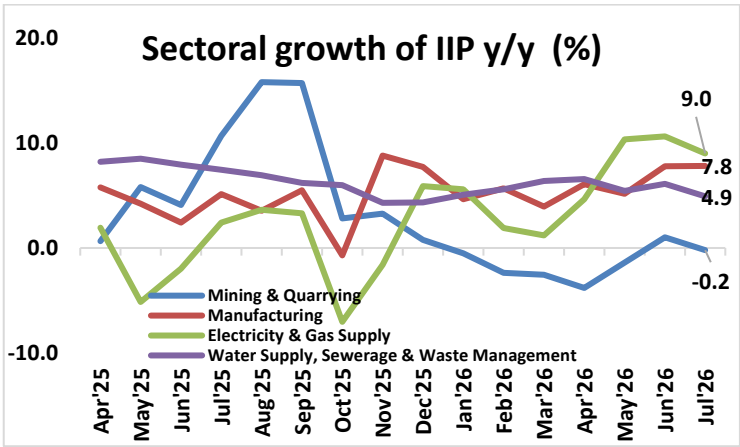


Fig 3: Primary goods and capital goods drove IIP growth in Jul'26 growth; % y/y

Industrial Production: Use-based				
Sector	Weight	YoY Growth %		
		May'26	Jun'26	Jul'26
Primary goods	31.1	2.7	4.9	7.9
Capital goods	8.1	15.5	14.2	17.4
Intermediate goods	22.4	5.8	9.3	6.5
Infrastructure / Construction Goods	10.9	6.6	7.5	6.4
Consumer durables	11.3	8.0	7.7	4.6
Consumer non-durables	16.1	-0.4	4.9	4.3

Source: CEIC, UBI Research

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Impact of West Asia crisis: The March 2026 data indicate a mild deterioration in several high-impact parameters compared with preceding months, suggesting emerging transmission of the West Asia crisis effects. Core infrastructure growth turned negative in March (-0.4%) after remaining positive through most earlier months, while cement (4.0%) and steel production (2.2%) moderated sharply from stronger levels seen in late 2025 and early 2026, indicating cooling momentum in construction-linked sectors that are highly exposed to energy and logistics costs. Fertilizer (-24.6%) and coal (-4.0%) production recorded steep contractions in March compared with moderate growth or milder declines earlier, reinforcing supply-side stress signals.

On the price front, inflation pressures intensified, with CPI rising to 3.4% in March from 3.2% in February and 2.7% in January, and WPI accelerating sharply to 3.9%, reflecting the pass-through of higher commodity prices. In the external sector, merchandise exports declined (-7.4%) in March after near-flat or modest growth earlier, while imports also contracted, pointing to weakening trade momentum amid global uncertainty. However, banking indicators such as credit growth (16.1%) and deposits (13.5%) remained resilient, and logistics indicators like e-way bills (14.1 crore) stayed stable, suggesting that domestic demand fundamentals are still holding up despite emerging external shocks. Overall, March trends relative to prior months signal early stress in commodity-linked and trade-sensitive sectors, alongside rising inflation pressures, while financial and domestic activity indicators remain comparatively stable.