27th July 2026

Industrial Production in Jun’26 to grow at 5.8% (y/y%), sectoral improvement is to be seen balanced, while base effects may drive the numbers up

- **Index of Industrial Production (IIP),** to grow by 5.8% (y/y) in Jun’26, up from 5.2% (y/y) in May’26 and 2.2% in Jun’25 weighted up due to low base-effect. While all the major components, mining, manufacturing, electricity and water management to record optimism in Jun’26, low base of previous year too would be seen to add positively to growth. **Mining sector holding** 11.0% share to grow by 1.7% in Jun’26, recovering from its earlier low of (-) 1.6% in May’26. **Manufacturing sector to grow** by 6.0% (y/y) in Jun’26, up from 5.5% (y/y) in May’26, amid optimism in overall activities. The new component in the index comprising of Water Supply, Sewerage & Waste Management with 2.2% weight to grow by 3.7% in Jun’26.
- **High-frequency indicators suggest** that overall economic activity remained strong in June 2026.
  - ✓ **GST revenue collections picked up** during the month (13.9% in Jun’26 from 3.2%y/y in May’26), driven largely by a sharp increase in tax revenues from imports. E-way bills continued to achieve double-digit growth in Jun’26. Growth in petrol and diesel consumption (Volume) gained strength in June despite an upward revision in the prices (7.5% y/y in Jun’26 up from 3.4% y/y in May’26).
  - ✓ **Electricity demand continued to register** double digit growth partly due to warm conditions and the delayed onset of monsoon at (y/y 11.5% in Jun’26, up from y/y 10.8% in May’26).
  - ✓ **Digital payments** value registered steady growth driven by Real-Time Gross Settlement (RTGS) transactions which grew by 21% y/y, up from 10.8% in May’26.
  - ✓ **Domestic demand** was supported by a sharp pick-up in rural demand in June. Tractor sales accelerated (25.3% y/y in Jun’26 up from 11.2% y/y in May’26) with the commencement of kharif sowing activities; while two-wheeler sales recorded robust growth supported by strong entry level demand (21.2% y/y in Jun’26 up from 7.5% y/y in May’26).
  - ✓ **In June, the Manufacturing PMI** stayed in the expansionary zone, despite some moderation. Automobile production registered more than double growth in June as compared to last year, aided by reduced GST rates (27.4% y/y in Jun’26 up from 13.3% y/y in May’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 Jun’26, driven by government capex as reflected in core sector (y/y) growth in cement (10.0%) and steel (4.6%) production in Jun’26.
- **Index of core industries (revised base of 2022-23)**, forming a significant part of the IIP, has seen to grow by 5.0% in Jun’26, up from 3.2% in May’26, accelerated to a 5-month high in June 2026, mainly supported by electricity and iron ore production.

Outlook of industrial output:

- India’s Industrial production growth is to remain robust in June amid acceleration in overall demand conditions despite global uncertainty, while low base effect too would support the numbers. Sustained government capex remains a positive for infrastructure and capital goods. Going forward, with trade agreements now concluded with the US, EU, and several other partner countries, are expected to support manufacturing and other industry output adding further to overall industrial growth in coming months.

Fig 1: IIP to improve in Jun’26; % y/y

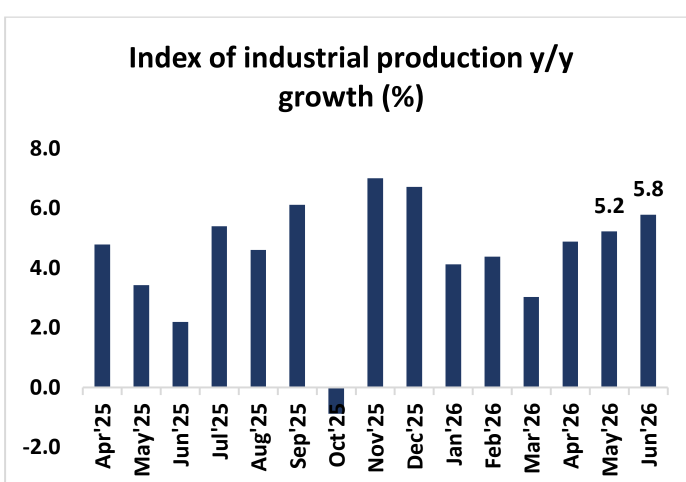

Fig 2: Manufacturing & mining led Mar’26 IIP growth; % y/y

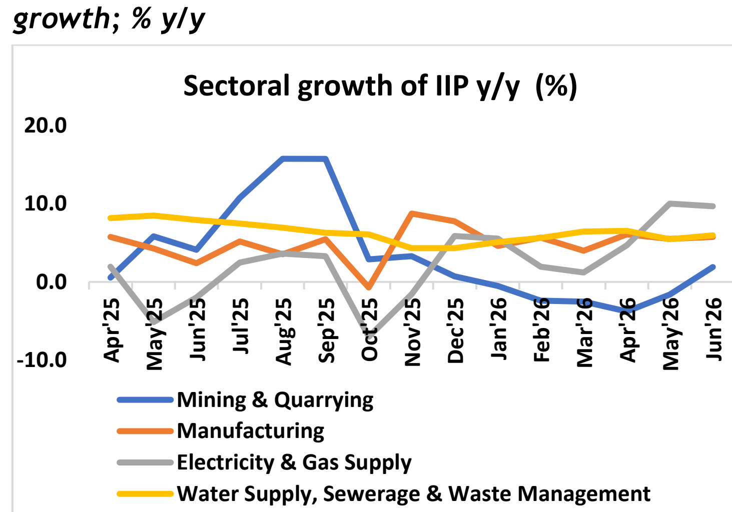

Fig 3: Primary goods and consumer non-durables to pick-up in Jun’26 growth; % y/y

Industrial Production: Use-based				
Sector	Weight	YoY Growth %		
		Apr'26	May'26	Jun'26
Primary goods	31.1	0.8	2.6	3.6
Capital goods	8.1	12.0	12.9	8.9
Intermediate goods	22.4	10.3	5.8	7.8
Infrastructure / Construction Goods	10.9	6.0	5.9	3.9
Consumer durables	11.3	5.6	7.2	7.0
Consumer non-durables	16.1	0.2	3.6	6.4

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.