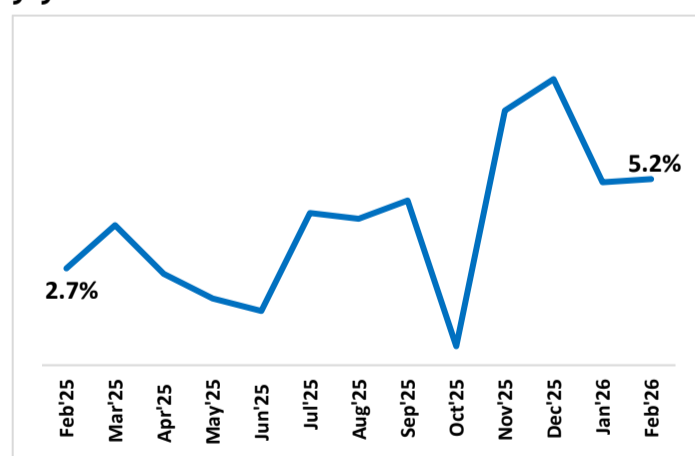


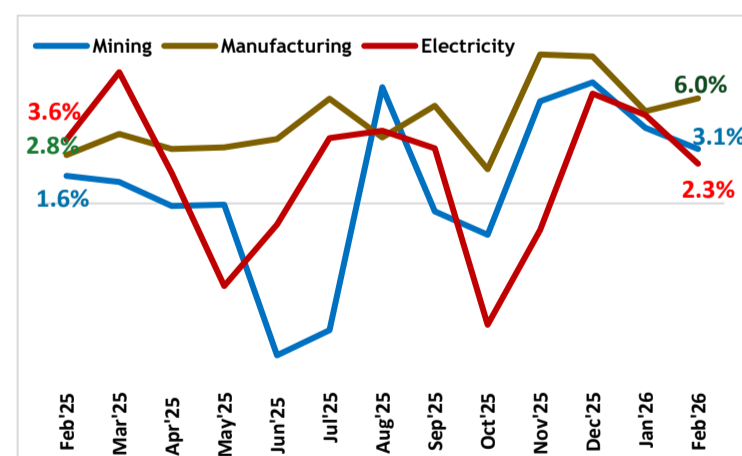
**Industrial Production in Feb'26 marginally improves to 5.2% YoY growth**

- IIP growth marginally rose to 5.2% YoY in Feb'26, from upwardly revised 5.1% (earlier 4.8%) in the previous month, and 2.7% in Feb'25, surpassing expectations, driven by manufacturing sector.
- The Feb'26 IIP growth was higher than consensus estimate of 4.2%. Our estimate was 4.2%, which was in line with core sector growth in February. However, the IIP number came higher than expectations.
- The key upward surprise came in from higher growth in manufacturing and electricity vis-à-vis our estimates.
- Mining growth came in at 3.1% (vs. 4.3% in Jan'26). Electricity rose by 2.3% (vs. 5.1% in Jan'26), while manufacturing IIP growth came in stronger at 6.0% (vs. upwardly revised 5.3% in Jan'26).
- Within the manufacturing sector, 14 out of 23 industry groups have recorded a positive growth in Feb'26 over Feb'25. The top three positive contributors are basic metals (13.2%), motor vehicles, trailers and semi-trailers (14.9%), and machinery and equipment (10.2%). The major losers were tobacco products (-17.0%) wearing apparel (-16.6%), pharma (-2.3%), and other manufacturing (-12.4%).
- High-frequency indicators had suggested that overall economic activity held up in the month of February. GST revenue collections was at 8.1% (vs. 6.2% in Jan'26). Other available high-frequency indicators of economic activity such as e-way bills (18.8% vs. 15.8% in Jan'26), petroleum consumption (5.8% vs. 2.8% in Jan'26), continued to record healthy growth. PMI manufacturing registered some acceleration to 56.9 in February, from 55.4 in previous month. Services PMI however moderated to 58.1, from 58.5 in Jan'26. Two-wheelers production growth was 24.4% YoY in Feb'26 (vs. 16.1% in Jan'26). Tractor production growth was at 80.0% vs 14.6% growth seen in Jan'26. Passenger vehicle production was at 9.8% vs. 5.6% in Jan'26.
- From a use-based classification perspective, consumer goods IIP growth continued to remain a soft spot, with growth at 2.7% vs. 1.5% in the previous month. The fall was led by consumer non-durables (rural demand proxy), which was negative by 0.6% (vs. -2.3% in Jan'26). However, high frequency indicators of rural demand showed a contrasting picture. In fact, retail sales of two-wheelers, passenger vehicles, and tractors reached their highest-ever levels for February. Urban demand (proxied by durables) on the other hand, came in at 7.3% vs. 7.2% in Jan'26.
- Reflecting continued government capex push, infra and construction IIP registered double digit growth at 11.2% (vs. 14.6% in Jan'26). Capital goods growth also reverted to double digit growth (12.5% vs. 4.1% in Jan'26), signaling healthy investment activity.
- Feb'26 IIP reflects a moderately positive, investment-led recovery, with strong growth in capital goods and infrastructure indicating sustained government capex and the early stages of private investment revival. However, weak consumer non-durables output highlights a persistent gap in rural and mass-market demand, suggesting that the recovery has yet to broaden into consumption-driven growth. The contraction in pharm sector adds an external risk dimension, particularly amid export pressures and tariff uncertainties. While the momentum in investment is encouraging, a durable industrial upturn will depend on a revival in consumption demand and resilience in export-oriented sectors over the coming months. Going forward, March IIP growth is likely to face significant disruption from escalating Middle East tensions, particularly through higher energy costs, supply-chain disruptions, and rising input prices.

**Fig 1: IIP rises more than expected in Feb'26; % y/y**



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



**Fig 3: Capital goods and infra/construction goods in Feb'26 show strong growth; % y/y**

Industrial Production: Sectoral				
Sector	Weight	YoY Growth %		
		Dec'25	Jan'26	Feb'26
Mining	14.4	6.9%	4.3%	3.1%
Manufacturing	77.6	8.4%	5.3%	6.0%
Electricity	8.0	6.3%	5.1%	2.3%
Industrial Production: Use-based				
Primary goods	34.0	4.4%	3.1%	1.8%
Capital goods	8.2	8.3%	4.1%	12.5%
Intermediate goods	17.2	7.8%	6.3%	7.7%
Infrastructure / Construction Goods	12.3	12.8%	14.6%	11.2%
Consumer durables	12.8	12.4%	7.2%	7.3%
Consumer non-durables	15.3	8.5%	-2.3%	-0.6%

Source: CEIC, UBI Research

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