

Industrial Production in Jun'25 may have improved to 2.2% YoY

- IIP growth likely marginally improved to 2.2% YoY in Jun'25, from 1.2% in previous month. But it was lower than 4.9% in Jun'24, due to slowdown in mining and electricity. The excess rainfall towards end of May due to early onset of monsoon and June may have impacted the performance of electricity and mining sectors (as per core sector data).
- The high frequency indicators for overall economic activity showed mixed signals in June.
 - Core sector which has close to 40% contribution in IIP rose to a three-month high of 1.7% YoY in Jun'25, vs. 1.2% in May'25 and 5.0% registered in Jun'24. While the production of steel, cement and refinery products recorded positive YoY growth in June, coal, crude oil, natural gas, fertilizers and electricity were in the negative zone. On MoM basis, only fertilizers and cement were positive.
 - Further, merchandise exports declined by 0.1% YoY in Jun'25 vs. (-)2.2% growth in May'25. Imports also declined by 3.7% as against (-)1.7% growth in previous month.
 - Petroleum consumption recorded a modest expansion. Electricity demand fell marginally, mainly due to reduced usage of cooling appliances amidst the early onset of monsoon.
 - Auto production moderated to 1.2% from a growth of 5.2% in May'25.
 - Meanwhile, e-way bills and toll collection showed strong growth, while growth in GST revenue collections moderated sharply in June.
- From a use-based classification perspective, recovery in aggregate demand may have continued to remain weak in Jun'25 IIP as was witnessed in previous months. The overall consumer IIP is expected to remain close to 1%. Consumption demand may be primarily led by urban demand (proxied by durables seen at +2.2% vs -0.7% in May'25) while rural demand may continue to be in the negative zone, though a recovery is seen in the consumer non-durables proxy from (-)2.4% in May'25 to (-)0.1%. This is also seen in the trends for the high frequency indicators which show recovery in urban demand in June even as rural demand relatively held up. Tractor sales grew 8.7% vs 2.8% growth in May'25 while two-wheeler sales growth was 4.7% YoY in Jun'25, as against 7.3% in previous month.
- Capital goods IIP growth in June is expected to remain strong as was seen in past two months. Also, intermediate and infrastructure/construction goods growth sectors are also likely to show healthy growth. The steel and cement sectors displayed strong growth in Jun'25, driven by government capex. This is attested by the YoY core sector growth in cement (9.2%) and steel (9.3%) production in Jun'25.
- The industrial production growth in Jun'25 is expected to be subdued, indicating a continuation of the sluggish industrial output trend observed in the preceding months. The persistence in weakness may be due to the adverse effect of the ongoing global trade and tariff uncertainty. Nearly 30-35% of weight in IIP is attributed to exports which is likely to come under pressure till some trade clarity is achieved. Further, due to the negative hit on sentiment, investment decisions are likely to be deferred and consumption (especially for discretionary goods). Manufacturing output in several consumer-facing industries such as textiles, leather goods, pharmaceuticals, electronics have contracted in recent months, indicating underlying demand-side weakness and as the fate of some of these sectors hangs on the final outcome of the US-India trade deal. Going forward, strengthening of industrial activity would depend on how the tariff negotiations would pan out and the resultant impact on manufacturing, export growth and private investment.

Fig 1: IIP may have improved in Jun'25; % y/y

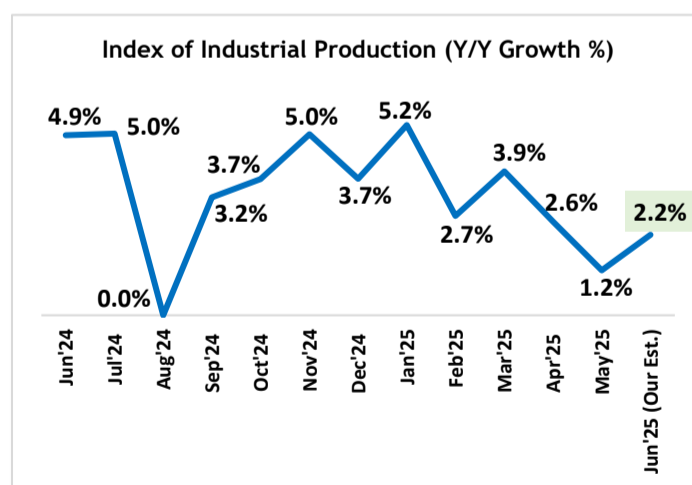


Fig 2: Manufacturing likely led to improvement in Jun'25 IIP; % y/y

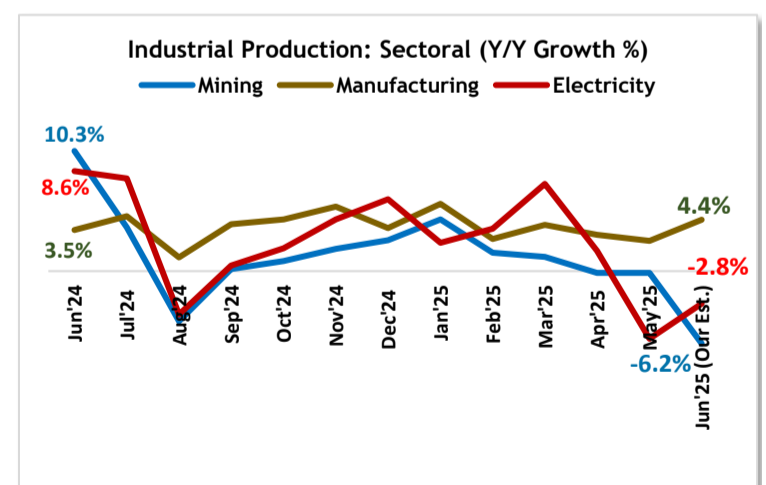


Fig 3: Consumption IIP especially in rural areas remains a cause of concern; % y/y

| Industrial Production: Sectoral | | | | |
|-------------------------------------|--------|--------------|--------|--------------|
| Sector | Weight | YoY Growth % | | |
| | | Apr'25 | May'25 | Jun'25 (Est) |
| Mining | 14.4 | -0.2% | -0.1% | -6.2% |
| Manufacturing | 77.6 | 3.1% | 2.6% | 4.4% |
| Electricity | 8.0 | 1.7% | -5.8% | -2.8% |
| Industrial Production: Use-based | | | | |
| Primary goods | 34.0 | -0.2% | -1.9% | -1.8% |
| Capital goods | 8.2 | 14.0% | 14.1% | 12.2% |
| Intermediate goods | 17.2 | 4.9% | 3.5% | 4.3% |
| Infrastructure / Construction Goods | 12.3 | 4.7% | 6.3% | 7.1% |
| Consumer durables | 12.8 | 6.2% | -0.7% | 2.2% |
| Consumer non-durables | 15.3 | -2.7% | -2.4% | -0.1% |

Source: CEIC, UBI Research

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