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Industrial Production in Aug'25 may have improved to 5.5% YoY

- IIP growth likely improved to 5.5% YoY in Aug'25, from 3.5% in previous month and nil growth in Aug'24, aided by manufacturing, likely rebound in the mining sector after declines in preceding months and base effects.
- In August, high-frequency indicators remained robust in August. While e-way bills, electricity demand and petroleum consumption picked-up pace, growth in GST revenue and toll collection remained broadly steady. PMI indices for both manufacturing and services remained in expansion.
- Core sector which has close to 40% contribution in IIP surged to a 15-month high of 6.3% YoY in Aug'25 (vs. 3.7% in Jul'25 and -1.5% in Aug'24), led by double-digit expansion in steel and coal. While the production of coal, petroleum refinery products, fertilizers, steel, cement and electricity recorded positive YoY growth in August, crude oil and natural gas were in the negative zone. On MoM basis, only coal, natural gas and fertilizers growth were positive.
- Further, merchandise exports expanded for the second consecutive month at 6.7% YoY in Aug'25 vs. 7.3% growth in Jul'25. Imports was negative by 10.1%, as against 8.6% growth in previous month.
- Auto production continued to show robust growth of 8.1% from a growth of 10.7% in Jul'25, led by strong output of three-wheelers and two-wheelers.
- From a use-based classification perspective, recovery in aggregate demand may have continued to pick up in Aug'25 IIP as was witnessed in previous two months. The overall consumer IIP is expected to be around 4%. Consumption demand may be primarily led by urban demand (proxied by durables) while rural demand (proxied by non-durables) may also have recovered in a low inflation environment. Two-wheeler sales growth was 2.2% YoY in Aug'25, as against negative 6.5% growth seen in previous month. Tractor sales grew 30.1% vs 11.0% growth in Jul'25, driven by strong monsoon and crop outlook.
- Capital goods IIP growth in August is expected to maintain strong momentum. Also, intermediate and infrastructure/construction goods growth sectors are also likely to show healthy growth. The steel and cement sectors displayed strong growth in Aug'25, driven by government capex. This is attested by the YoY core sector growth in cement (6.1%) and steel (14.2%) production in Aug'25.
- Industrial production growth in Aug'25 is expected to rebound from the weakness of the previous two months, aided by positive momentum in core sectors and manufacturing, with mining likely to provide a notable boost. The recent landmark GST reforms is also set to support the ongoing festive season. However, downside risks persist from flood-related disruptions, global trade uncertainty, and the impact of US tariff measures. Going forward, the 50% tariff hikes could create significant growth pressures and warrant close monitoring.

Fig 1: IIP likely improved in Aug'25; % y/y

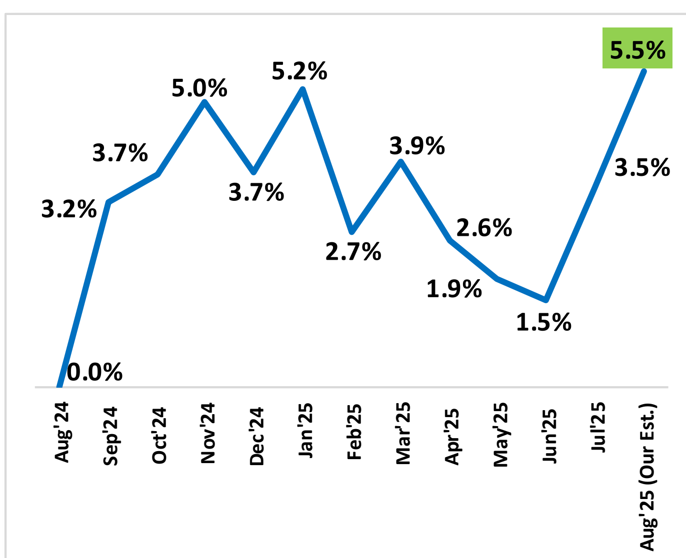

Fig 2: Manufacturing likely led the rise in Aug'25 IIP; % y/y

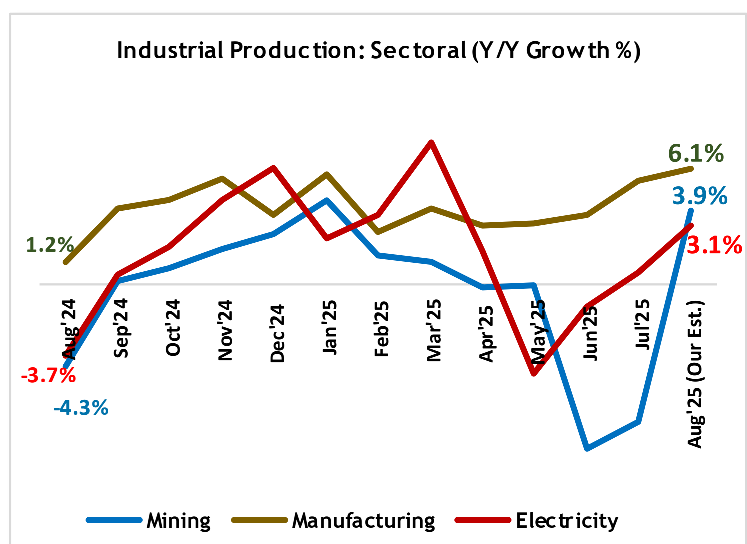

Fig 3: Capital & Construction goods may have boosted IIP growth in Aug'25; % y/y

Industrial Production: Sectoral				
Sector	Weight	YoY Growth %		
		Jun'25	Jul'25	Aug'25 (Est.)
Mining	14.4	-8.7%	-7.2%	3.9%
Manufacturing	77.6	3.7%	5.4%	6.1%
Electricity	8.0	-1.2%	0.6%	3.1%
Industrial Production: Use-based				
Primary goods	34.0	-2.5%	-1.7%	2.7%
Capital goods	8.2	3.0%	5.0%	12.9%
Intermediate goods	17.2	5.5%	5.8%	6.7%
Infrastructure / Construction Goods	12.3	6.7%	11.9%	9.2%
Consumer durables	12.8	2.8%	7.7%	4.5%
Consumer non-durables	15.3	-0.9%	0.5%	4.4%

Source: CEIC, UBI Research
Aug'25 figures are UBI estimates

By:

Kanika Pasricha
kanika.pasricha@unionbankofindia.bank

Jovana Luke George
jovana.george@unionbankofindia.bank

Banking Research Team	
Kanika Pasricha **Chief Economic Advisor**	**kanika.pasricha@unionbankofindia.bank**
Suneesh K	suneeshk@unionbankofindia.bank
Nidhi Arora	nidhiarora@unionbankofindia.bank
Rajesh Ranjan	rajeshranjan@unionbankofindia.bank
Amit Srivastava	asrivastava@unionbankofindia.bank
Jovana Luke George	jovana.george@unionbankofindia.bank
Dhiraj Kumar	dhirajkumar@unionbankofindia.bank
Akash Deb	akash510@unionbankofindia.bank
Rohit Yarmal	rohitdigambar@unionbankofindia.bank
Shreyas Bidarkar	shreyas.bidarkar@unionbankofindia.bank