

Industrial Production in May'25 may have slowed to 2.4% YoY

- IIP growth likely decelerated to 2.4% YoY in May'25, from 2.7% in previous month and 6.3% in May'24, due to slowdown in mining and electricity and a high base effect. The excess rainfall towards end of May due to early onset of monsoon impacted the performance of electricity and mining sectors (as per core sector data).
- The high frequency indicators showed mixed trends in May'25, amid high trade and tariff-related uncertainty.
 - Core sector which has close to 40% contribution in IIP slowed to a nine-month low of 0.7% YoY in May'25, vs. 1% in Apr'25 and 6.9% registered in May'24. While crude oil, natural gas, fertilizers, and electricity showed negative YoY growth, the production of coal, refinery products, steel and cement recorded positive growth in May'25. On MoM basis, all the eight sectors showed expansion with fertilizers registering double digit growth.
 - Further, merchandise exports declined 2% YoY in May'25 vs. 9% growth in Apr'25. Imports also declined by 1.7% as against 19.1% growth in previous month.
 - Meanwhile, auto production recovered by 5.2% from a negative growth of 1.7% in Apr'25.
- From a use-based classification perspective, recovery in aggregate demand may have continued to remain weak in May'25 IIP as was witnessed in previous months. The overall consumer IIP is expected to remain below 2% similar to 1.6% YoY growth seen in April. Consumption demand may be primarily led by urban demand (proxied by durables) while rural demand (proxied by non-durables) may have marginally improved compared to previous month. Two-wheeler sales growth was 7.3% YoY in May'25, as against 2.3% in previous month. Tractor sales grew 2.8% vs 7.6% growth in Apr'25.
- Capital goods IIP growth in May is expected to have moderated compared to high growth of 20.3% recorded in Apr'25. Intermediate and infrastructure/construction goods growth may have improved compared to previous month. This is attested by the rise in cement (1.8% MoM) and steel (2.1% MoM) production in May'25.
- The industrial production growth in May'25 is likely to have been adversely affected by 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). Hence, going forward, strengthening of industrial activity would therefore depend on how the tariff negotiations would pan out and the resultant impact on manufacturing, export growth and private investment. The escalation in the geopolitical tensions has cast a cloud over the much-touted US-India trade deal which was earlier widely speculated to close by first week of July.

Fig 1: IIP may have declined in May'25; % y/y

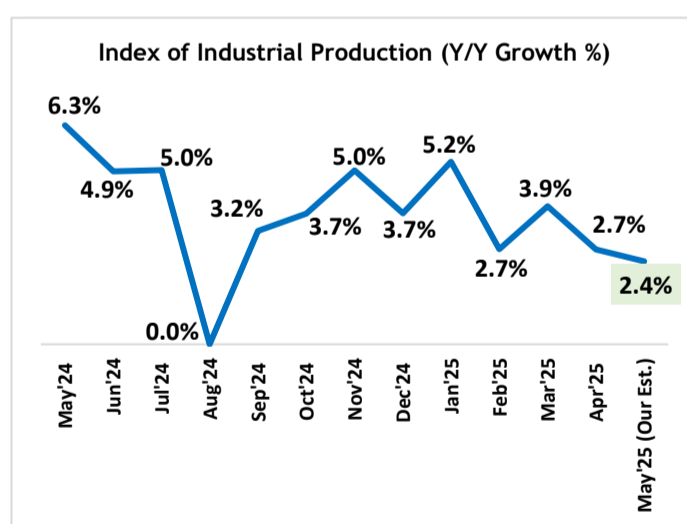


Fig 2: Mining & electricity likely led to moderation in May'25 IIP; % y/y

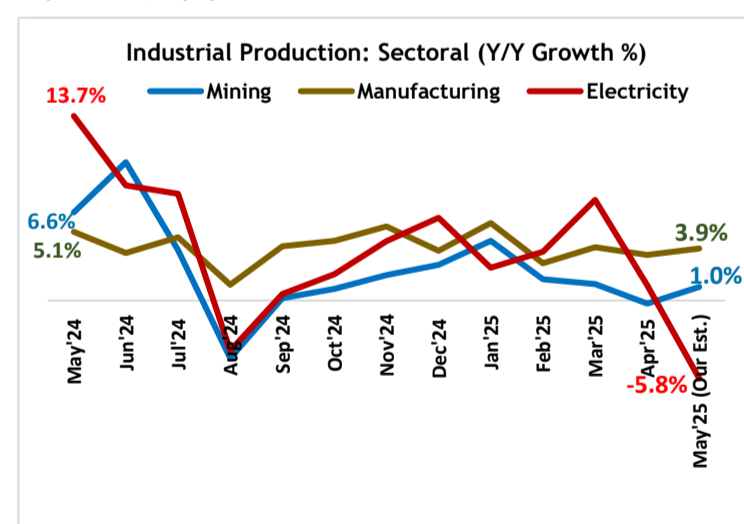


Fig 3: Consumption IIP especially in rural areas remains a cause of concern; % y/y

Industrial Production: Sectoral				
Sector	Weight	YoY Growth %		
		Mar'25	Apr'25	May'25 (Our Est.)
Mining	14.4	1.2%	-0.2%	1.0%
Manufacturing	77.6	4.0%	3.4%	3.9%
Electricity	8.0	7.5%	1.1%	-5.8%
Industrial Production: Use-based				
Primary goods	34.0	3.9%	-0.4%	-1.7%
Capital goods	8.2	3.6%	20.3%	6.4%
Intermediate goods	17.2	3.8%	4.1%	8.7%
Infrastructure / Construction Goods	12.3	9.9%	4.0%	4.5%
Consumer durables	12.8	6.9%	6.4%	2.1%
Consumer non-durables	15.3	-4.0%	-1.7%	0.7%

Source: CEIC, UBI Research

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