

Industrial Production in Feb'25 slows to 2.9% YoY on weak manufacturing

- IIP growth fell to a six-month low of 2.9% YoY in Feb'25 from 5.2% in previous month and 5.6% in Feb'24, on slowdown in manufacturing and mining growth. Probably adverse base effect has also weighed, as 2024 was leap year with 29 days in Feb.
- The data was below our estimate (3.2%) with lead indicators showing decline in growth during the month like exports, auto production and core sector (40% weight in IIP).
- From a sectoral perspective, the decline was led by manufacturing growth which was at 2.9% as against 5.8% in Jan'25. Mining grew only 1.6% (vs. 4.4% in Jan'25), while electricity showed mild recovery in growth at 3.6% (vs. 2.4% in Jan'25).
- Within the manufacturing sector, 14 out of 23 industry groups have recorded a positive growth in Feb'25 over Feb'24. The top three positive contributors are basic metals (5.8%), motor vehicles, trailers & semi-trailers (8.9%) and other non-metallic mineral products (8.0%). The major losers were leather and related products, paper and paper products, printing and reproduction of recorded media. Sectors facing potential/actual tariff effects as they contribute to our key exports to US held up relatively well like pharma (3.1%), electronics (10.6%), auto components (8.9%) among others
- From a use-based classification perspective, growth in aggregate demand remained weak in Feb'25, with consumer goods IIP growth at only 0.3% YoY (vs. 2.6% in Jan'25). Consumption demand was led by urban demand (proxied by durables) at 3.8% (vs. 7.2% in Jan'25) while rural demand (proxied by non-durables) was in negative zone for the third consecutive month.
- Sequential fall was seen in all the six sub-segments under use-based classification. More importantly, backloaded public capex push has kept segments like infrastructure/ construction and capital goods in the 7%+ handle.
- Growth concerns remain, as overall consumption demand is seen weak with both urban and rural demand having fallen both MoM and YoY in Feb'25. Deceleration is seen in rural indicators like two-wheeler sales, three-wheeler sales and consumer non-durables. Urban indicators like air passenger traffic, consumer durables and personal loans are showing mild recovery. Going forward, we may see improvement in demand pickup with income tax cuts and backloaded government spending during H2-FY25.
- We expect to see IIP stay in single digits going forward. The delayed recovery in overall demand remains a cause of concern. While the demand stimulus steps announced in the Budget may provide support in the coming months, the "heightened" global uncertainty under Trump 2.0 is likely to weigh on global and hence domestic growth outlook (Please refer report "[World bracing for Turbulence on Trump's 'beautiful' Tariff hikes](#)").

Fig 1: IIP weakened in Feb'25; % y/y

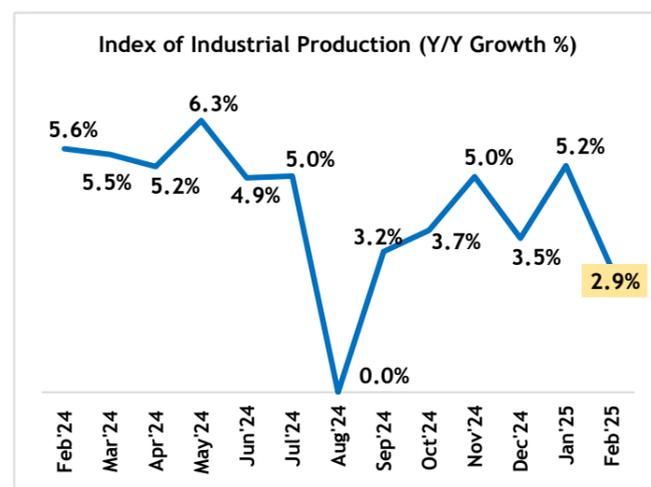


Fig 2: Feb'25 IIP slows on weakness in manufacturing; % y/y

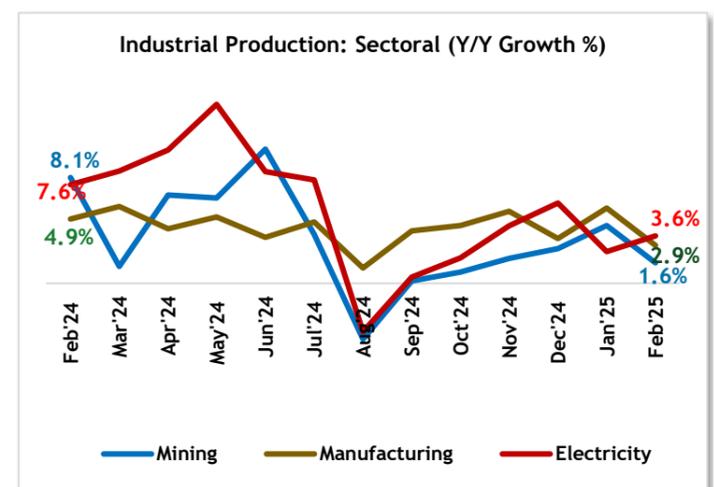


Fig 3: Weakness in IIP growth seen across sectors; % y/y

Industrial Production: Sectoral				
Sector	Weight	YoY Growth %		
		Dec'24	Jan'25	Feb'25
Mining	14.4	2.7%	4.4%	1.6%
Manufacturing	77.6	3.4%	5.8%	2.9%
Electricity	8.0	6.2%	2.4%	3.6%
Industrial Production: Use-based				
Primary goods	34.0	3.8%	5.5%	2.8%
Capital goods	8.2	10.4%	10.3%	8.2%
Intermediate goods	17.2	6.4%	5.3%	1.5%
Infrastructure / Construction Goods	12.3	7.4%	7.4%	6.6%
Consumer durables	12.8	8.3%	7.2%	3.8%
Consumer non-durables	15.3	-7.5%	-0.3%	-2.1%

Source: CEIC, UBI Research

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