

Industrial Production in Sep'25 at 4.0% YoY

- IIP growth came in at 4.0% YoY in Sep'25, from upwardly revised 4.1% in previous month and 3.2% in Sep'24, led by manufacturing.
- Our estimate was 3.0%, which was in line with subdued core sector growth in September. However, the IIP number came above expectations.
- The key upward surprise came in from improved growth in mining even as manufacturing and electricity recovered vis-à-vis our estimates.
- Mining IIP contracted by 0.4% YoY (vs. 6.6% in Aug'25). Electricity growth came in at 3.1% (vs. 4.1% in Aug'25), while manufacturing IIP growth recovered to 4.8% (vs. 3.8% in Aug'25).
- From a sectoral perspective, the improvement was led by manufacturing (4.8% vs. 3.8% in Aug'25) and electricity (3.1% vs. 4.1% in Aug'25). Meanwhile, mining was a drag at -0.4% (6.6% in Aug'25).
- Within the manufacturing sector, 13 out of 23 industry groups have recorded a positive growth in Sep'25 over Sep'24. The top three positive contributors are basic metals (12.3%), electrical equipment (28.7%) and motor vehicles, trailers and semi-trailers (14.6%). The major losers were pharma (-3.5%), food products (-1.9%), chemicals (-1.3%), rubber and plastics products (-3.6%) and other manufacturing (-9.0%). Tariff affected sectors like pharma, textiles saw pressure.
- From a use-based classification perspective, consumer goods IIP growth recovered in Sep'25 after showing a deceleration in the previous month (2.8% vs. -2.1% in Aug'25), led by strong consumer durables growth of 10.2% (vs. 3.5% in Aug'25). High frequency indicators pointed to a revival in urban demand and robust rural demand. Passenger vehicle sales clocked 5.8% growth (vs. 0.9% in Aug'25), due to lower GST rates, festive offers, and pent-up demand. Two-wheeler sales growth was 6.5% YoY in Sep'25, as against 2.2% growth seen in previous month. Tractor sales growth moderated to 3.6% vs 30.1% growth in Aug'25.
- While showing recovery compared to previous month (-6.4% in Aug'25), rural demand (proxied by non-durables) remained in the negative territory at -2.9%, which remains a key concern.
- Infra and construction IIP at 10.5% continued to display robust momentum on government spending push with steel and cement production in core sector data also showing strong performance at 14.1% and 5.3% growth respectively. Capital goods IIP on the other hand, continued to remain weak clocking a YoY growth of 4.7% vs. 4.5% in Aug'25. However, it was positive MoM by 8.7%.
- While headline IIP has marginally eased in September, if we remove some volatile components like pharma, the IIP ex-pharma has eased to -4.2% from 4.6% in Aug'25. That said, we are likely to see a sharper pickup in IIP momentum in October on GST reform led kicker, specifically in sectors like auto and consumption led segments as well. As per finance ministry's Sep'25 monthly economic review, the implementation of GST 2.0 reforms is expected to support positive demand outlook by reducing the tax burden on consumers and businesses spurring consumption and investment across sectors.

Fig 1: IIP eases in Sep'25; % y/y

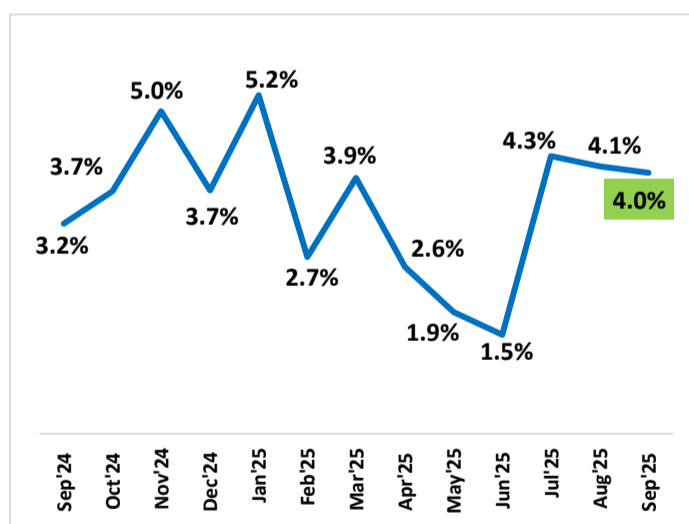


Fig 2: Manufacturing & Electricity growth led Sep'25 IIP; % y/y

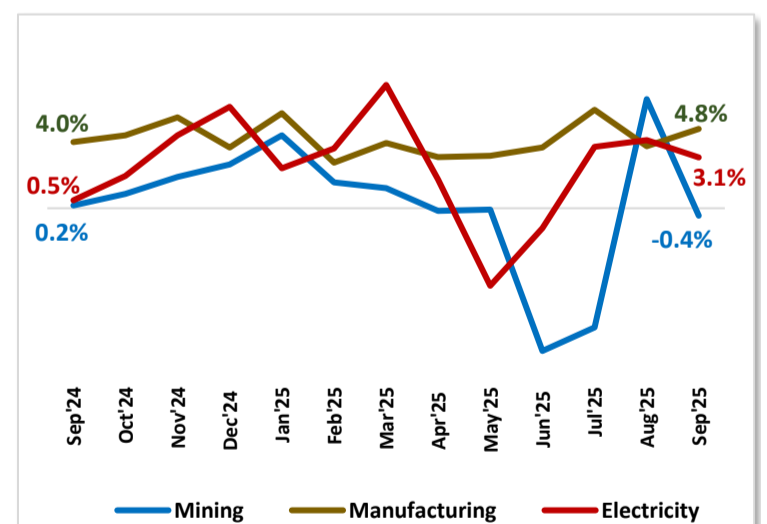


Fig 3: While contraction in consumer non-durables remains a key concern, consumer durables and infra/construction goods supported Sep'25 IIP; % y/y

Industrial Production: Sectoral				
Sector	Weight	YoY Growth %		
		Jul'25	Aug'25	Sep'25
Mining	14.4	-7.2%	6.6%	-0.4%
Manufacturing	77.6	6.0%	3.8%	4.8%
Electricity	8.0	3.7%	4.1%	3.1%
Industrial Production: Use-based				
Primary goods	34.0	-0.7%	5.4%	1.4%
Capital goods	8.2	6.8%	4.5%	4.7%
Intermediate goods	17.2	6.1%	5.2%	5.3%
Infrastructure / Construction Goods	12.3	13.7%	10.4%	10.5%
Consumer durables	12.8	7.3%	3.5%	10.2%
Consumer non-durables	15.3	0.5%	-6.4%	-2.9%

Source: CEIC, UBI Research

Classification: Public

Classification: Internal

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

Disclaimer:

The views expressed in this report are personal views of the author(s) and do not necessarily reflect the views of Union Bank of India. Nothing contained in this publication shall constitute or be deemed to constitute an offer to sell/ purchase or as an invitation or solicitation to do so for any securities of any entity. Union Bank of India and/ or its Affiliates and its subsidiaries make no representation as to the accuracy; completeness or reliability of any information contained herein or otherwise provided and hereby disclaim any liability regarding the same.