

Industrial Production in Jun'25 falls to 1.5% YoY, 10-month low

- IIP growth declined to 1.5% YoY in Jun'25, from upwardly revised 1.9% in previous month, on contraction in mining and electricity. It was also lower than 4.9% in Jun'24, on broad-based weakness. The data repeated contraction in mining and electricity on an early start to monsoon even as softer industrial activity may have also weighed on the latter.
- The data was lower than our estimate of 2.2%, with lead indicators showing mixed trends during the month. The key sources of data surprise were lower than expected mining and manufacturing numbers on a sectoral basis while on use-based classification, capital goods provided an unfavourable surprise (back into low single digits after a gap of two months) even as consumer durables held up.
- From a sectoral perspective, the improvement was led by manufacturing (3.9% vs. 3.2% in May'25). Meanwhile, electricity at -2.6% (-4.7% in May'25) and mining were a drag at -8.7% (-0.1% in May'25).
- Within the manufacturing sector, 15 out of 23 industry groups have recorded a positive growth in Jun'25 over Jun'24. The top three positive contributors are basic metals (9.6%), coke and refined petroleum products (4.2%) and fabricated metal products, except machinery and equipment (15.2%). The major losers were chemical products, beverages, printing & reproduction of recorded media and other manufacturing.
- From a use-based classification perspective, capital goods IIP clocking a sharp YoY drop (3.5% vs. 13.3% in May'25) is attributed to sharp sequential slowdown and fading away of base effects as capex spend trailed at start of last year due to elections.
- Infra and construction IIP at 7.2% displayed robust momentum on government spending push and real estate activity as well with steel and cement production in core sector data also showing outperformance at >9% growth.
- Consumer goods IIP saw a recovery (1.0% vs. -1.0% in May'25) as signaled by high frequency indicators as well 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.
- Urban demand (proxied by durables) recovered in June to 2.9% (vs. -0.9% in May'25). Rural demand (proxied by non-durables) persisted in negative zone at -0.4%, for the fifth consecutive month, though a recovery is seen from (-)1.0% in May'25.
- Despite the slowdown in IIP, we see relatively limited impact on GDP growth numbers given the vintage bias in IIP which does not adequately capture the new goods/industries with survivorship bias possible in some industries. Our economic activity indicator signaling that GDP growth probably held up in the 6.7-7% range in Q1 FY26. That said, we acknowledge that private capex is likely to be delayed further on tariff related uncertainties and that the fate of some sectors is hanging on the final outcome of the US-India trade deal. On balance, 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 slows in Jun'25 to 10-month lows; % y/y

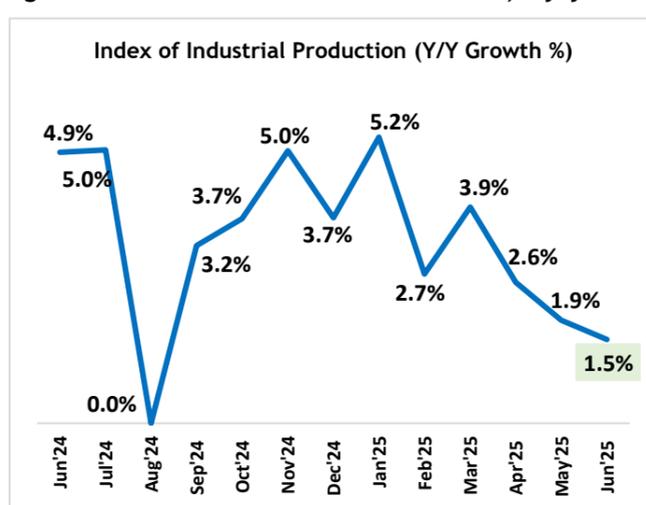


Fig 2: Manufacturing led Jun'25 IIP; % y/y

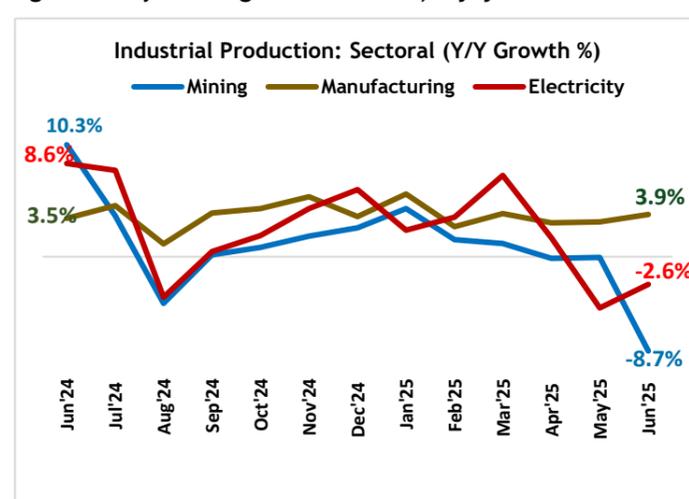


Fig 3: Capital goods slip while steady infra/construction goods & consumer goods recovery support IIP; % y/y

Industrial Production: Sectoral				
Sector	Weight	YoY Growth %		
		Apr'25	May'25	Jun'25
Mining	14.4	-0.2%	-0.1%	-8.7%
Manufacturing	77.6	3.1%	3.2%	3.9%
Electricity	8.0	1.7%	-4.7%	-2.6%
Industrial Production: Use-based				
Primary goods	34.0	-0.2%	-1.4%	-3.0%
Capital goods	8.2	14.0%	13.3%	3.5%
Intermediate goods	17.2	4.9%	4.7%	5.5%
Infrastructure / Construction Goods	12.3	4.7%	6.7%	7.2%
Consumer durables	12.8	6.2%	-0.9%	2.9%
Consumer non-durables	15.3	-2.7%	-1.0%	-0.4%

Source: CEIC, UBI Research

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