

Industrial Production in Jan'26 likely to have eased to 7.0% YoY

- IIP growth is likely to have eased to 7.0% YoY in Jan'26, from 7.8% in previous month, and 5.2% in Jan'25, on moderation in manufacturing and mining growth, reflecting normalizing manufacturing momentum (after surge seen in previous months), and fading of GST-related festive demand.
- High-frequency indicators suggest that overall economic activity held up in the month of January. GST revenue collections was at 6.2% (vs. 6.1% in Dec'25). Other available high-frequency indicators of economic activity such as e-way bills (15.8% vs. 23.5% in Dec'25), petroleum consumption (2.9% vs. 5.3% in Dec'25), continued to record healthy growth. Digital payments registered steady growth in both transaction value and volume. PMI manufacturing registered some acceleration to 55.4 in January, from 55.0 in previous month. Services PMI also improved to 58.5, from 58.0 in Dec'25. Automobile production recorded robust growth across segments in January, albeit at a slower pace, reflecting some normalisation following the earlier surge in output on account of the GST rate cuts. Two-wheelers production growth was 16.1% YoY in Jan'26 (vs. 39.9% in Dec'25). Tractor production growth was at 14.6% vs 57.9% growth seen in Dec'25. Passenger vehicle production was at 5.6% vs. 23.1% in Dec'25.
- Core sector which has close to 40% contribution in IIP, grew by 4% in Jan'26, easing from a revised 4.7% in December (vs. 5.1% in Jan'25), with coal, fertilizers, steel, cement and electricity recording positive YoY growth during the month. While crude oil and natural gas declined YoY in January, refinery products remained unchanged. However, on MoM basis, four of the eight subsectors growth were positive.
- Merchandise trade deficit widened much sharper than expected to \$34.68bln in Jan'26 from \$25.04bln in Dec'25, with exports rising 0.6% and imports by 19.2%
- From a use-based classification perspective, demand conditions remained upbeat, underpinned by a resurgence in rural demand and continued recovery in urban demand. The overall consumer IIP is expected to be around 9.3%. Rural demand strengthened further with retail sales of two-wheelers (21.4% vs. 4.2% in Jan'25) and tractors posting strong growth (22.9% vs. 5.2% in Jan'25) supported by post-GST momentum and healthy rural cash flows from the kharif harvest and wedding seasons. Retail automobiles sales also remained resilient 17.6% growth vs. 14.6% in Dec'25. Retail passenger vehicle sales, however moderated to 7.2% vs. 26.6% in Dec'25. The sales slowdown reflects normalisation of markets following a period of high demand triggered by GST rate rationalisation.
- Sustained high government spending on infrastructure and construction projects is expected to continue support growth in capital goods. Also, intermediate and infrastructure/construction goods growth sectors are also likely to show healthy growth. Steel and cement sectors continued to display strong growth in Jan'26, driven by government capex. This is attested by the YoY core sector growth in cement (10.7%) and steel (9.9%) production in Jan'26.
- Industrial production growth in Jan'26 is expected to see a moderation compared to the 26-month high of 7.8% recorded in previous month, largely due to an unfavourable base effect, as the year-ago period (Jan'25) saw strong growth. Sustained government capex remains a positive for infrastructure and capital goods. Going forward, with trade agreements now concluded with the US, EU, and several other partner countries, lower tariffs especially for MSME exports are expected to support manufacturing and other industry output. The base year for IIP will be revised from 2011-12 to 2022-23, with the updated series scheduled for release in May 2026.

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Fig 1: IIP likely eased in Jan'26; % y/y

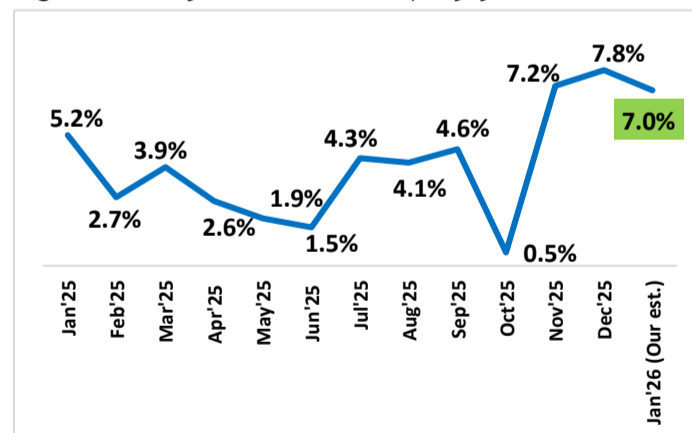


Fig 2: Manufacturing likely led Jan'26 IIP; % y/y

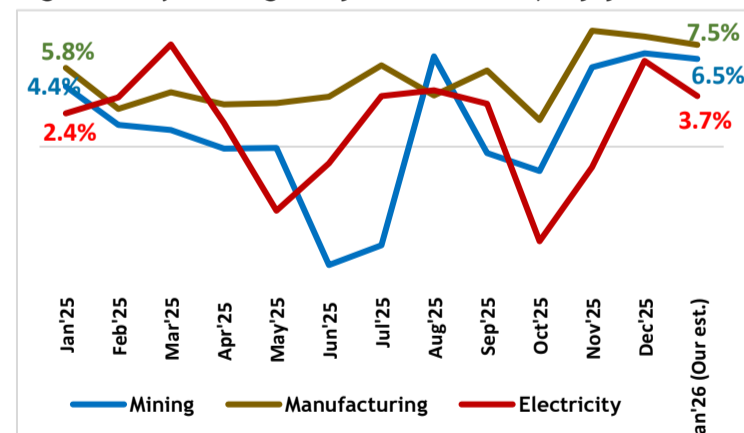


Fig 3: Consumer & infra/construction goods may have continued to support IIP growth in Jan'26; % y/y

Industrial Production: Sectoral				
Sector	Weight	YoY Growth %		
		Nov'25	Dec'25	Jan'26 (Est.)
Mining	14.4	5.8%	6.8%	6.5%
Manufacturing	77.6	8.5%	8.1%	7.5%
Electricity	8.0	-1.5%	6.3%	3.7%
Industrial Production: Use-based				
Primary goods	34.0	2.2%	4.4%	3.6%
Capital goods	8.2	10.1%	8.1%	7.1%
Intermediate goods	17.2	7.4%	7.5%	6.4%
Infrastructure / Construction Goods	12.3	13.0%	12.1%	10.9%
Consumer durables	12.8	11.2%	12.3%	9.1%
Consumer non-durables	15.3	8.0%	8.3%	9.4%

Source: CEIC, UBI Research

Jan'26 figures are UBI estimates

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