

Industrial Production in July'25 records growth of 3.5% YoY, 4-month high

- IIP growth rose to 3.5% YoY in Jul'25, from 1.5% in previous month, led by manufacturing. It was however lower than 5.0% in Jul'24, on broad-based weakness.
- Manufacturing IIP growth spike was the most positive outcome of this data release even as mining persisted in contraction zone and electricity growth was muted as expected as rains came in sooner this year. While strong infra IIP numbers were aligned to our expectations, the switch back in consumer non-durables IIP (a beacon of rural demand) into positive zone and strong recovery in consumer durables IIP provided a positive surprise.
- From a sectoral perspective, the improvement was led by manufacturing (5.4% vs. 3.7% in Jun'25). Meanwhile, electricity at 0.6% (-1.2% in Jun'25) and mining were a drag at -7.2% (-8.7% in Jun'25).
- Within the manufacturing sector, 14 out of 23 industry groups have recorded a positive growth in Jul'25 over Jul'24. The top three positive contributors are basic metals (12.7%), electrical equipment (15.9%) and other metallic mineral products (9.5%). The major losers were food products, beverages, printing & reproduction of recorded media, chemicals, rubber and plastics products and other manufacturing. *Tariff affected sectors like textiles saw slight pressure as well though frontloading effects capped the impact.*
- From a use-based classification perspective, consumer goods IIP saw a recovery (3.5% vs. 0.7% in Jun'25) as signaled by high frequency indicators as well which show recovery in urban demand in July even as rural demand relatively held up. Tractor sales grew 11.0% vs 8.7% growth in Jun'25 while two-wheeler sales growth was negative by 6.5% YoY Jul'25, as against 4.7% in previous month. Urban demand (proxied by durables) continued to show uptrend in July to 7.7% (vs. 2.8% in Jun'25). Rural demand (proxied by non-durables) reverted to positive to 0.5%, after remaining negative for five consecutive months.
- Infra and construction IIP at 11.9% displayed robust momentum on government spending push with steel and cement production in core sector data also showing outperformance at >11% growth.
- Further, capital goods IIP regained momentum clocking a YoY growth of 5.0% vs. 3.0% in Jun'25. Albeit base effects, sequentially the index continued to show a healthy momentum.
- Going forward, August IIP numbers may see some salutary effect from the favorable base effects. PMI numbers for the month also clocked 59.8 levels, highest since 2008. It needs to be noted that this year, growth numbers are frontloaded amid tariff uncertainty apart from favorable base effects on electricity led growth slowdown in H1-FY25. Going forward, we see IIP probably inching up in August on base effects, yet the outlook has been adversely affected by the 50% tariff hike by the US. Apart from direct tariff impact on the economy via trade channel (exports worth USD 45bn, -1% of GDP) and sentiment /flows channel (via impact on further delay in broad-based private capex recovery).

Fig 1: IIP shows pick up in Jul'25; % y/y

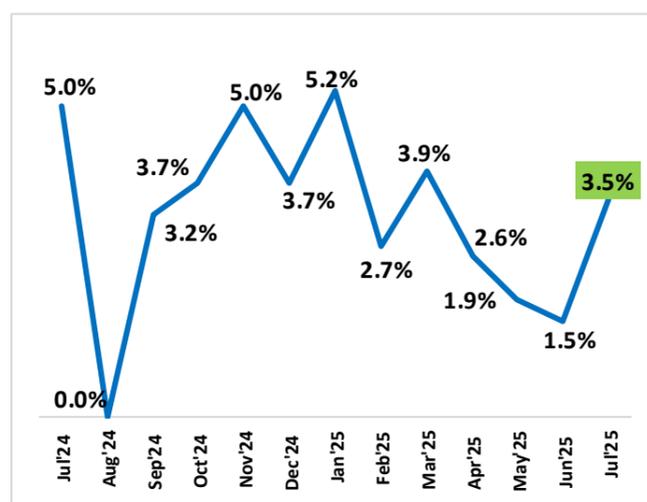


Fig 2: Manufacturing growth led Jul'25 IIP; % y/y

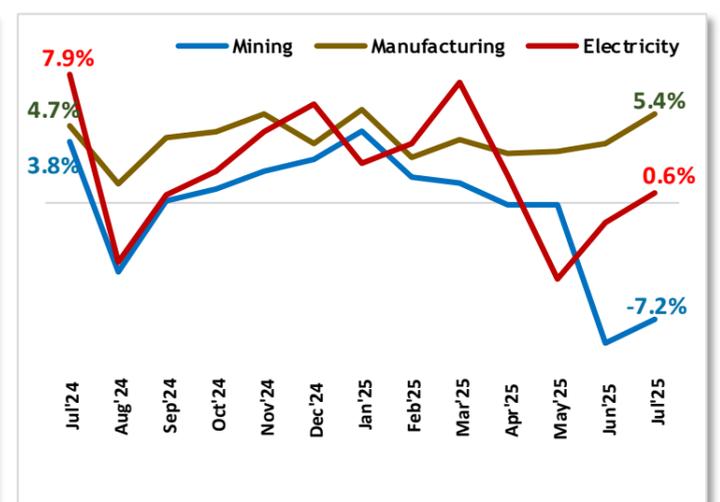


Fig 3: Consumption IIP remains a cause of concern while infra/construction goods support IIP; % y/y

Industrial Production: Sectoral				
Sector	Weight	YoY Growth %		
		May'25	Jun'25	Jul'25
Mining	14.4	-0.1%	-8.7%	-7.2%
Manufacturing	77.6	3.2%	3.7%	5.4%
Electricity	8.0	-4.7%	-1.2%	0.6%
Industrial Production: Use-based				
Primary goods	34.0	-1.4%	-2.5%	-1.7%
Capital goods	8.2	13.3%	3.0%	5.0%
Intermediate goods	17.2	4.7%	5.5%	5.8%
Infrastructure / Construction Goods	12.3	6.7%	6.7%	11.9%
Consumer durables	12.8	-0.9%	2.8%	7.7%
Consumer non-durables	15.3	-1.0%	-0.9%	0.5%

Source: CEIC, UBI Research

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