

Industrial Production in Mar'26 slows to a 5-month low of 4.1% YoY growth

- IIP growth weakened to 4.1% YoY in Mar'26, from a downwardly revised 5.1% (earlier 5.2%) in the previous month, and 3.9% in Mar'25, driven by manufacturing and mining sectors. This was the last IIP report using the 2011-12 base year before MoSPI moves to a new base year of 2022-23.
- Our estimate was 2%, which was in line with core sector growth in March. However, the IIP number came higher than expectations. The key upward surprise came in from higher growth in manufacturing and mining vis-à-vis our estimates.
- Mining growth came in at 5.5% (vs. 3.1% in Feb'26). Electricity rose by 0.8% (vs. 2.3% in Feb'26), while manufacturing IIP growth moderated to 4.3% (vs. downwardly revised 5.9% in Feb'26).
- Within the manufacturing sector, 14 out of 23 industry groups have recorded a positive growth in Mar'26 over Mar'25. The top three positive contributors are basic metals (8.6%), motor vehicles, trailers and semi-trailers (18.1%), and machinery and equipment (11.2%). The major losers were chemical products (-3.5%), computer electronic products (-8.2%), other manufacturing (-29.8%), and wearing apparel (-14.6%).
- High-frequency indicators of economic activity exhibited mixed performance in March. E-way bills continued to show double-digit growth (12.9% vs. 18.8% in Feb'26). GST revenue surged (8.8% vs. 8.1% in Feb'26). However, overall petroleum consumption moderated, largely on account of a sharp decline in aviation turbine fuel demand due to widespread flight suspensions following the West Asia conflict. Manufacturing PMI declined to its lowest level (53.9 vs. 56.9% in Feb'26) since Jun'22, as new orders and output growth slowed. Services PMI moderated to 57.5, from 58.1 in Feb'26. Automobile production continued to record strong growth across major segments. Two-wheelers production growth was 22.0% YoY in Mar'26 (vs. 24.4% in Feb'26). Tractor production growth was at 28.6% vs 80.0% growth seen in Feb'26. Passenger vehicle production was at 9.0% vs. 9.8% in Feb'26.
- From a use-based classification perspective, consumer goods IIP growth continued to remain a soft spot, with growth at 2.9% vs. 2.7% in the previous month. The fall was led by consumer non-durables (rural demand proxy), which was at 1.1% (vs. -0.5% in Feb'26). However, high frequency indicators of rural demand showed a contrasting picture. In fact, retail sales of two-wheelers (28.7%), passenger vehicles (21.5%), and tractors (10.9%), stayed resilient in March. Urban demand (proxied by durables) on the other hand, came in at 5.3% vs. 7.1% in Feb'26.
- Infra and construction IIP growth reverted to single digit growth at 6.7% (vs. 11.1% in Feb'26) after registering double-digit growth in the previous four months. Capital goods growth remained robust at 14.6% vs. 12.4% in Feb'26, signaling healthy investment activity.
- Industrial production growth in Mar'26 was expected to see a moderation compared to previous months, largely due to weakening in energy related sectors and supply disruptions in manufacturing. Going forward, the outlook for industrial production remains subject to both external and domestic risks. On the downside, sustained high crude prices, potential gas shortages, sluggish export demand, and weak global manufacturing conditions could weigh on industrial activity by raising input costs and dampening external demand. On the upside, faster execution of infrastructure projects, continued strength in capital goods demand, and any policy stimulus measures aimed at boosting investment and consumption could support industrial momentum and help offset external headwinds.

Fig 1: IIP slows in Mar'26; % y/y

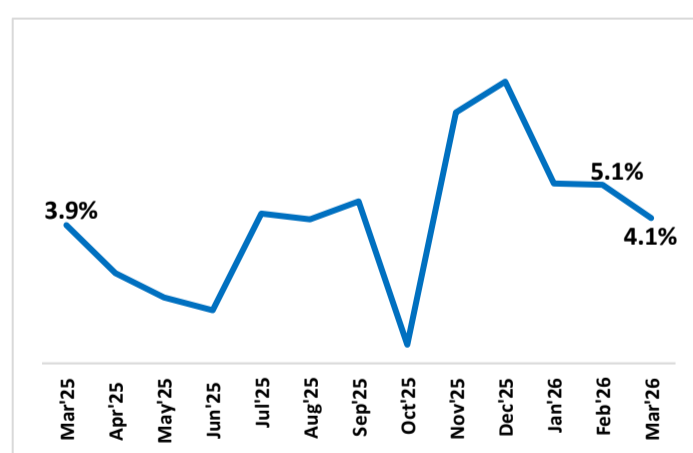


Fig 2: Manufacturing & mining led Mar'26 IIP growth; % y/y

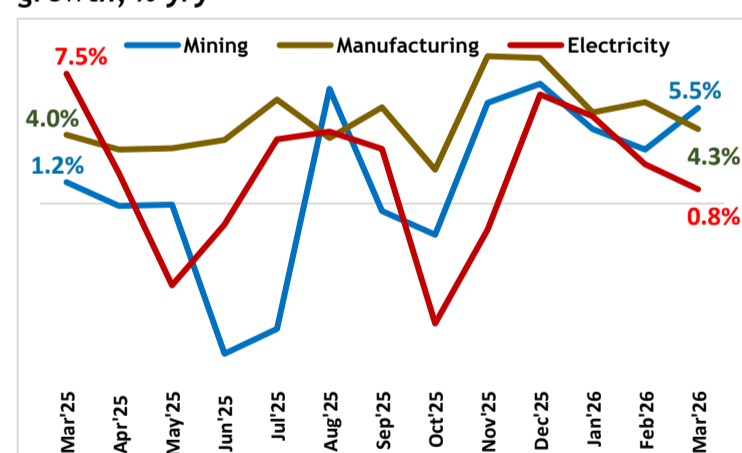


Fig 3: Capital goods and infra/construction goods in Mar'26 IIP continued to show strong growth; % y/y

Industrial Production: Sectoral				
Sector	Weight	YoY Growth %		
		Jan'26	Feb'26	Mar'26
Mining	14.4	4.3%	3.1%	5.5%
Manufacturing	77.6	5.3%	5.9%	4.3%
Electricity	8.0	5.1%	2.3%	0.8%
Industrial Production: Use-based				
Primary goods	34.0	3.1%	1.8%	2.2%
Capital goods	8.2	4.1%	12.4%	14.6%
Intermediate goods	17.2	6.3%	7.2%	3.3%
Infrastructure / Construction Goods	12.3	14.6%	11.1%	6.7%
Consumer durables	12.8	7.2%	7.1%	5.3%
Consumer non-durables	15.3	-2.3%	-0.5%	1.1%

Source: CEIC, UBI Research

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MACRO-ECONOMIC DASHBOARD														
Industrial Sector	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	War Impact
IIP (YoY Gr%)	3.9	2.6	1.9	1.5	4.3	4.1	4.6	0.5	7.2	8.0	5.1	5.1	4.1	Medium
Mining (YoY Gr%)	1.2	-0.2	-0.1	-8.7	-7.2	6.6	-0.4	-1.8	5.8	6.9	4.3	3.1	5.5	Low
Manufacturing (YoY Gr%)	4.0	3.1	3.2	3.7	6.0	3.8	5.6	2.0	8.5	8.4	5.3	5.9	4.3	Medium
Electricity (YoY Gr%)	7.5	1.7	-4.7	-1.2	3.7	4.1	3.1	-6.9	-1.5	6.3	5.1	2.3	0.8	Low
Core Infra Growth (YoY Gr%)	4.5	1.0	1.2	2.2	3.7	6.5	3.3	-0.1	2.1	4.7	4.7	2.8	-0.4	High
Cement Production (YoY Gr%)	12.2	6.3	9.7	8.2	11.6	5.4	5.0	5.2	14.6	13.7	11.3	8.9	4.0	High
Steel Production (YoY Gr%)	8.7	4.4	7.4	9.7	16.6	13.6	14.4	5.9	6.7	10.1	11.5	7.6	2.2	High
Petroleum Products (YoY Gr%)	0.2	-4.5	1.1	3.4	-1.1	3.0	-3.7	4.6	-0.9	-1.0	0.0	-1.0	0.1	Medium
Fertilizers Production (YoY Gr%)	8.8	-4.2	-5.9	-1.2	2.0	4.6	1.6	7.4	5.6	4.1	3.7	3.4	-24.6	High
Coal Production (YoY Gr%)	1.6	3.5	2.8	-6.8	-12.3	11.4	-1.2	-8.5	2.1	3.6	3.1	2.3	-4.0	High
Capital Goods Production (YoY Gr%)	3.6	14.0	13.3	3.0	6.8	4.5	5.4	2.1	10.1	8.3	4.1	12.4	14.6	Low
PMI Manufacturing	58.1	58.2	57.6	58.4	59.1	59.3	57.7	59.2	56.6	55.0	55.4	56.9	53.9	High
PMI Services	58.5	58.7	58.8	60.4	60.5	62.9	60.9	58.9	59.8	58.0	58.5	58.1	57.5	Medium
Banking Sector	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	War Impact
Bank Credit (YoY Gr%)	11.0	10.3	9.0	9.5	10.0	10.0	10.4	12.5	11.5	14.5	14.6	15.4	16.1	Low
Agriculture Credit (YoY Gr%)	10.4	9.2	7.5	6.8	7.3	7.6	9.0	8.9	8.7	12.1	11.4	12.3		Low
Industry Credit (YoY Gr%)	8.2	6.6	4.8	5.9	6.0	6.5	7.3	10.0	9.6	13.3	12.1	13.5		Low
Services Credit (YoY Gr%)	12.0	10.5	8.7	9.2	10.6	10.6	10.2	13.0	11.7	15.3	15.5	16.3		Low
Retail Credit (YoY Gr%)	11.7	11.9	11.1	11.7	11.9	11.8	11.7	14.0	12.8	14.4	14.9	15.2		Low
Bank Deposits (YoY Gr%)	10.3	9.8	9.9	10.1	10.2	9.3	9.4	10.8	10.2	12.7	10.6	11.3	13.5	Low
Demand (YoY Gr%)	10.4	6.0	19.2	18.1	17.7	12.5	17.4	22.7	16.9	27.4	17.6	19.1	36.7	Low
Time (YoY Gr%)	10.3	10.3	8.6	8.9	9.2	8.9	8.3	9.3	9.3	10.7	9.7	10.3	13.4	Low
C-D Ratio (%)	80.8	79.7	78.9	78.9	79.2	79.0	80.2	80.2	80.5	81.8	82.3	82.4	81.4	Low
Weighted Average Lending Rate Fresh Rupee Loans (%)	9.4	9.3	9.2	8.6	8.8	8.7	8.4	8.6	8.7	8.3	8.5	8.4		Low
Weighted Average Deposit Rate (%)	7.1	7.1	7.1	7.0	6.9	6.9	6.8	6.8	6.7	6.7	6.6	6.6		Low
Banking Sector	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	War Impact
UPI (No. in Cr)	1830	1789	1868	1840	1947	2001	1963	2070	2047	2163	2170	2039	2264	Low
IMPS (No. in Cr)	46.2	44.9	46.4	44.8	48.2	47.7	39.4	40.4	36.9	38.0	37.4	33.6	36.6	Low
NPCI Retail Transaction value (YoY Gr%)	17.0	15.9	16.7	14.9	15.7	14.4	6.0	-0.4	7.8	0.0	15.4	17.3	14.6	Low
NPCI Retail transactions volume (YoY Gr%)	31.6	30.1	30.0	28.5	31.0	30.2	23.8	17.9	25.9	0.0	23.0	21.1	19.2	Low
Inflation	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	War Impact
CPI (YoY Gr%)	3.3	3.2	2.8	2.1	1.6	2.1	1.4	0.3	0.7	1.3	2.7	3.2	3.4	High
Core CPI (YoY Gr%)	4.1	4.1	4.2	4.4	4.1	4.1	4.3	4.4	4.3	4.6	3.4	3.4	3.4	High
WPI (YoY Gr%)	2.2	0.9	0.1	-0.2	-0.6	0.5	0.2	-1.0	-0.1	1.0	1.7	2.1	3.9	High
Consumer	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	War Impact
Electricity Consumption (YoY Gr%)	5.7	2.8	-4.8	-2.3	2.6	3.8	3.5	-5.8	-0.6	5.8	3.8	1.0	1.7	Low
Petroleum Consumption (YoY Gr%)	3.7	-4.0	6.9	-1.0	6.0	10.0	-8.0	-3.4	0.6	5.5	7.7	-3.4	5.6	Medium
Consumer Durables (YoY Gr%)	6.9	6.2	-0.9	2.8	7.3	3.5	10.0	-1.3	11.2	12.4	7.2	7.1	5.3	Medium
Consumer Non Durables (YoY Gr%)	-4.0	-2.7	-1.0	-0.9	0.5	-6.4	-0.3	-5.2	8.0	8.5	-2.3	-0.5	1.1	Medium
Trade	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	War Impact
Merchandise Export (YoY Gr%)	0.9	-3.8	-1.2	-1.3	13.3	5.7	6.0	-12.5	18.7	1.3	0.4	-0.8	-7.4	High
Merchandise Import (YoY Gr%)	12.5	20.0	-1.3	-3.4	9.1	-9.5	17.7	17.9	-1.5	10.3	19.8	25.0	-6.5	High
Service Export (YoY Gr%)	18.7	8.9	9.6	12.0	10.4	2.8	12.6	2.2	6.7	13.0	9.8	9.7	-1.2	High
Service Import (YoY Gr%)	5.3	1.0	-1.0	5.1	8.5	-5.3	7.9	2.9	-2.1	7.4	-0.5	16.2	-3.0	High
Logistics	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	War Impact
E Way bill generated (Nos. in Cr)	12.5	11.9	12.3	11.9	13.2	12.9	13.2	12.7	13.0	13.8	13.7	13.3	14.1	Low
Air Freight (YoY Gr%)	4.2	11.5	5.0	0.2	4.4	5.5	2.5	-2.3	15.6	9.4	8.5	17.9		High
Fiscal	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	War Impact
GST Collection (YoY Gr%)	9.9	12.6	16.4	6.2	7.5	6.5	9.1	4.6	-4.0	1.3	2.0	2.8	2.1	Low
Govt. Expenditure (YoY Gr%)	9.7	10.0	40.3	37.4	3.3	-9.9	-8.0	-11.1	12.4	-7.3	-8.5	9.7		Low

**Impact of West Asia crisis:** The March 2026 data indicate a mild deterioration in several high-impact parameters compared with preceding months, suggesting emerging transmission of the West Asia crisis effects. Core infrastructure growth turned negative in March (-0.4%) after remaining positive through most earlier months, while cement (4.0%) and steel production (2.2%) moderated sharply from stronger levels seen in late 2025 and early 2026, indicating cooling momentum in construction-linked sectors that are highly exposed to energy and logistics costs. Fertilizer (-24.6%) and coal (-4.0%) production recorded steep contractions in March compared with moderate growth or milder declines earlier, reinforcing supply-side stress signals.

On the price front, inflation pressures intensified, with CPI rising to 3.4% in March from 3.2% in February and 2.7% in January, and WPI accelerating sharply to 3.9%, reflecting the pass-through of higher commodity prices. In the external sector, merchandise exports declined (-7.4%) in March after near-flat or modest growth earlier, while imports also contracted, pointing to weakening trade momentum amid global uncertainty. However, banking indicators such as credit growth (16.1%) and deposits (13.5%) remained resilient, and logistics indicators like e-way bills (14.1 crore) stayed stable, suggesting that domestic demand fundamentals are still holding up despite emerging external shocks. Overall, March trends relative to prior months signal early stress in commodity-linked and trade-sensitive sectors, alongside rising inflation pressures, while financial and domestic activity indicators remain comparatively stable.

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