25th April 2025

Industrial Production in Mar’25 likely improved to 4.3% YoY

- IIP growth likely rose to 4.3% YoY in Mar’25, from 2.9% in previous month and 5.5% in Mar’24, due to pick up in manufacturing and mining.
- The trends in high frequency indicators showed mixed trends, yet broad positive bias in Mar’25. As per the latest RBI Bulletin, *“indicators such as e-way bills and toll collections recorded robust YoY growth in double digits in Mar’25. Wholesale automobile sales recorded a double-digit growth in March; scooter sales contributed significantly to overall two-wheeler sales indicating strong rural demand. Tractor sales also registered a double-digit growth for the fourth consecutive month. However, vehicle registrations recorded a YoY in both non-transport and transport vehicles segments. Petroleum consumption declined by 3.1% YoY in March. Merchandise exports grew by 0.7% YoY in Mar’25, marking a rebound after four straight months of contraction, driven by a recovery in non-oil exports. Imports too expanded by 11.4%. The manufacturing PMI reached an eight-month high of 58.1 in Mar’25, reflecting acceleration in new orders and output. Gross GST collections rose to Rs 1.96 lakh crore which was the 2nd highest monthly collection since its inception in 2017.”*
- Core sector which has close to 40% contribution in IIP and released for the first time 10 days in advance, had recovered to 3.8% in Mar’25, from 3.4% in Feb’25. This was due to growth improvement in cement, steel and electricity. However, fertilizer, refinery products and coal YoY output growth declined in March compared to previous month. Crude oil and natural gas output saw output contraction.
- From a use-based classification perspective, recovery in aggregate demand may have continued to remain weak in Mar’25 IIP as was in previous month. The overall consumer demand growth is estimated to be around 1.6% YoY. Consumption demand may be primarily led by urban demand (proxied by durables) while rural demand (proxied by non-durables) improved compared to previous month.
- Capital goods IIP growth is expected to have moderated in Mar’25 as compared to previous month on high base effect (7.0% in Mar’24). However, intermediate, infrastructure/construction goods may have improved during the month. This is attested by the increase in cement (13.8% MoM) and steel (8.6% MoM) production attributed to higher government spending at the end of FY.
- Going forward, we see IIP growth coming under some pressure on spike in global macro uncertainty. April was the month of spike in global trade uncertainty on reciprocal tariff hikes by the US *(highest since WWII). We estimate that at least 30-35% of weight in IIP is attributed to exports which is likely to come under pressure till some trade clarity is achieved. Apart from this, our analysis shows that due to the negative hit on sentiment, investment decisions are likely to be deferred and consumption (especially for discretionary goods) may be weighed down by global macro uncertainty. On balance, the strengthening of industrial activity would therefore depend on how the tariff negotiations would pan out and the resultant impact on manufacturing, export growth and private investment.

Fig 1: IIP likely rose in Mar’25; % y/y

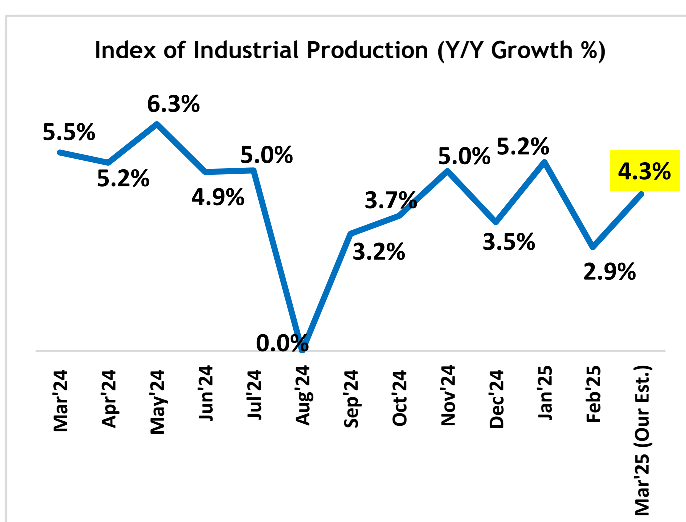

Fig 2: Manufacturing & mining growth likely led Mar’25 IIP; % y/y

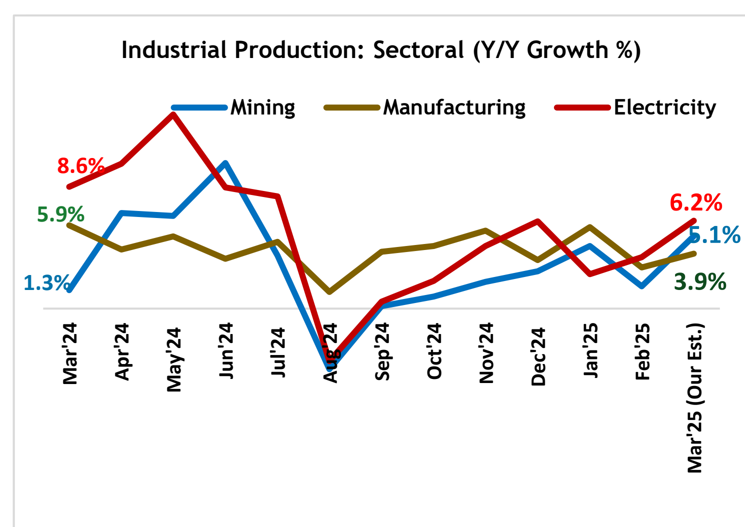

Fig 3: Consumption demand remains a cause of concern; % y/y

Industrial Production: Sectoral				
Sector	Weight	YoY Growth %		
		Jan'25	Feb'25	Mar'25 (Est)
Mining	14.4	4.4%	1.6%	5.1%
Manufacturing	77.6	5.8%	2.9%	3.9%
Electricity	8.0	2.4%	3.6%	6.2%
Industrial Production: Use-based				
Primary goods	34.0	5.5%	2.8%	4.8%
Capital goods	8.2	10.3%	8.2%	5.3%
Intermediate goods	17.2	5.3%	1.5%	4.0%
Infrastructure / Construction Goods	12.3	7.4%	6.6%	7.6%
Consumer durables	12.8	7.2%	3.8%	4.2%
Consumer non-durables	15.3	-0.3%	-2.1%	-0.3%

Note: Figures for Mar’25 in all the charts/tables are our projections *Source: CEIC, UBI Research*

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