Index of Industrial production (IIP) records highest growth in last 14 months, manufacturing drives up, low base effect too is seen

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Industrial Production inches up in Jun'26 to 7.3% (y/y), over 5.0% in May'26 vs. 2.2% in Jun'25

- **Index of Industrial Production (IIP),** accelerated to 7.3% (y/y) in Jun'26, recording the highest numbers since Apr'25 (as per New Base series 2022-23), up from 5.0% (y/y) in May'26 and 2.2% in Jun'25. While all the major components, mining, manufacturing, electricity and water management recorded optimism in Jun'26, low base of previous year too added positively to growth. IIP growth stood higher than **our estimates of 5.8%,**Index of Industrial Production (IIP) to grow by 5.8% (y/y%) in Jun'26, low base effect seen. The key upward surprise came in from higher growth in manufacturing and water management sector, standing beyond our estimates.
- **Mining sector with** 11.0% share in overall index grew by 1.0% in Jun'26, recovering from its earlier low of (-) 1.6% in May'26. **Manufacturing sector reported healthy growth of 7.8**% (y/y) in Jun'26, up from 5.2% (y/y) in May'26, driven by optimism in overall demand sentiments. The new component in the index comprising of **Water Supply, Sewerage & Waste Management** with 2.0% weight grew by 6.1% in Jun'26, up from 5.5% in May'26.
- **Within the manufacturing sector,** 19 out of 23 industry groups at NIC 2 digit-level have recorded a positive growth in June 2026 over June 2025. The top three positive contributors for the month of June 2026 are – "Manufacture of electrical equipment" (34.0%), "Manufacture of motor vehicles, trailers and semi-trailers" (17.5%), and "Manufacture of food products" (10.8%).
- **High-frequency indicators suggest** that overall economic activity remained strong in June 2026.**GST revenue collections picked up** during the month (13.9% in Jun'26 from 3.2%y/y in May'26), driven largely by a sharp increase in tax revenues from imports. E-way bills continued to achieve double-digit growth in Jun'26. Growth in petrol and diesel consumption (Volume) gained strength in June despite an upward revision in the prices (7.5% y/y in Jun'26 up from 3.4% y/y in May'26). **Electricity demand continued to register** double digit growth partly due to warm conditions and the delayed onset of monsoon at (y/y 11.5% in Jun'26, up from y/y 10.8% in May'26). **Domestic demand** was supported by a sharp pick-up in rural demand in June. Tractor sales accelerated (25.3% y/y in Jun'26 up from 11.2% y/y in May'26) with the commencement of kharif sowing activities; while two-wheeler sales recorded robust growth supported by strong entry level demand (21.2% y/y in Jun'26 up from 7.5% y/y in May'26). Government's capital expenditure sustained its double-digit growth, reflecting Government's sustained focus on public investment which continue support growth in capital goods.
- **Use-based classification of IIP showed that,** capital goods kept up double digit momentum in Jun'26 at 14.2% y/y, vs. 15.5% y/y in May'26, reflecting strong position of India's industrial sector. While consumer durables recorded growth of 7.7% in Jun'26, marginally lower than 8.0% y/y in May'26, consumer non-durables turn the negative numbers of previous month to 4.9% y/y growth, thereby supporting the overall industrial output. Overall demand conditions remained upbeat in Jun'26, while both rural and urban demand equally contribute to the same.
- **Infra and construction IIP growth** showed strong uptick at 7.5% in Jun'26 up from 6.6% in May'26 mainly supported by Government's infrastructure push and overall optimism in the country.

To conclude: Industrial production growth in June showed resilience with firm support from domestic demand, despite global sentiments remain volatile. Also, low base effect supported June IIP numbers affirmatively. Sustained government capex remains a positive for infrastructure and capital goods. Trade agreements with EU and several other partner countries would support manufacturing and other industry output especially in textile, and chemical sector adding further to overall industrial growth in coming months, despite headwinds of global uncertainty.

Fig 1: Capital goods and infra/construction goods in continued to show strong growth; % y/y Jun'26

Industrial Production: Use-based				
Sector	Weight	YoY Growth %		
		Apr'26	May'26	Jun'26
Primary goods	31.1	0.8	2.7	4.9
Capital goods	8.1	12.0	15.5	14.2
Intermediate goods	22.4	10.3	5.8	9.3
Infrastructure / Construction Goods	10.9	6.0	6.6	7.5
Consumer durables	11.3	5.6	8.0	7.7
Consumer non-durables	16.1	0.2	-0.4	4.9

Fig 2: IIP accelerates in Jun'26; % y/y

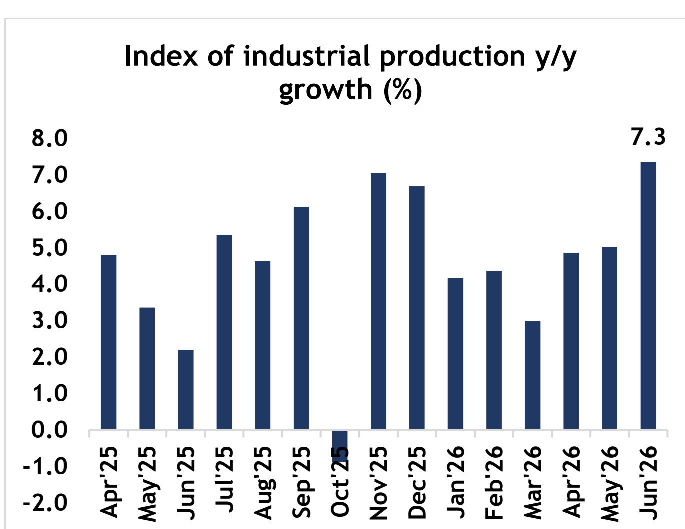
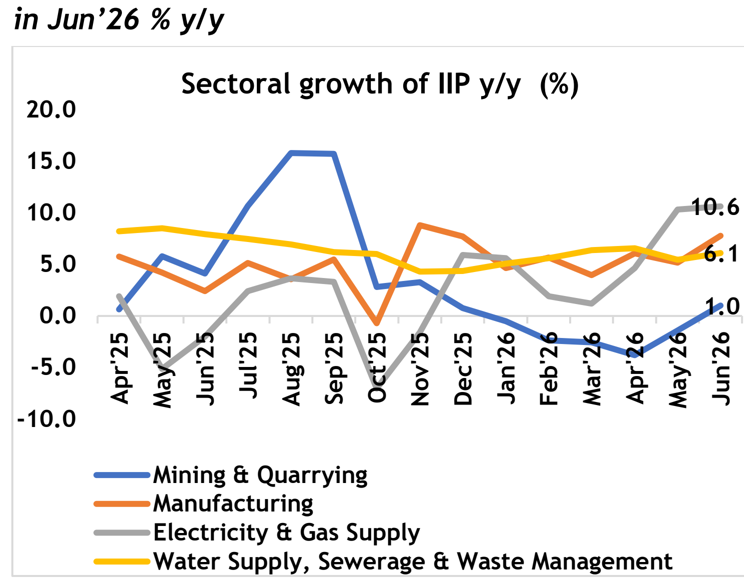


Fig 3: Manufacturing & electricity drives IIP growth in Jun'26 % y/y



Source: CEIC, UBI Research

MACRO-ECONOMIC DASHBOARD																
Industrial Sector	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Trend*
IIP (YoY Gr%)	4.8	3.4	2.2	5.4	4.7	6.1	-0.9	7.0	6.7	4.1	4.4	3.0	4.9	5.0	7.3	improving
Mining (YoY Gr%)	0.6	5.8	4.1	10.7	15.8	15.7	2.8	3.3	0.8	-0.5	-2.4	-2.6	-3.8	-1.4	1.0	improving
Manufacturing (YoY Gr%)	5.8	4.2	2.4	5.1	3.6	5.5	-0.7	8.8	7.7	4.6	5.7	4.0	6.1	5.2	7.8	improving
Electricity (YoY Gr%)	1.9	-5.1	-2.0	2.4	3.7	3.3	-7.0	-1.6	5.9	5.6	1.9	1.2	4.6	10.3	10.6	improving
Core Infra Growth (YoY Gr%)	1.4	0.5	1.1	3.3	6.1	3.1	0.9	3.5	5.6	5.2	3.2	2.9	2.7	3.2	5.0	improving
Cement Production (YoY Gr%)	5.7	8.1	7.9	11.1	5.4	5.1	5.2	15.1	14.0	11.3	9.1	4.7	8.3	8.4	9.8	improving
Steel Production (YoY Gr%)	8.7	9.2	10.2	15.7	15.3	14.3	9.5	11.6	11.1	13.8	9.9	9.6	4.7	5.1	4.6	improving
Petroleum Products (YoY Gr%)	-4.2	1.0	3.3	-1.4	3.4	-3.2	5.3	-0.2	-0.3	0.4	-0.4	0.9	-0.2	-8.2	-4.7	improving
Fertilizers Production (YoY Gr%)	-4.2	-5.9	-1.2	1.9	4.5	1.7	7.4	5.5	4.1	3.7	3.5	-24.6	-8.5	-1.0	-3.3	worsening
Coal Production (YoY Gr%)	3.8	2.8	-6.8	-12.3	10.8	-1.1	-8.4	2.2	3.7	0.9	1.4	-4.0	-9.0	-9.5	1.4	improving
Capital Goods Production (YoY Gr%)	14.5	9.5	3.4	5.9	6.0	13.2	5.4	16.6	12.9	12.4	16.5	8.5	12.0	15.5	14.2	improving
PMI Manufacturing	58.2	57.6	58.4	59.1	59.3	57.7	59.2	56.6	55.0	55.4	56.9	53.9	54.7	55.0	54.2	improving
PMI Services	58.7	58.8	60.4	60.5	62.9	60.9	58.9	59.8	58.0	58.5	58.1	57.5	58.8	59.8	57.4	improving
Banking Sector	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Trend*
Bank Credit (YoY Gr%)	10.3	9.0	9.5	10.0	10.0	10.4	11.3	11.5	14.5	14.6	14.5	17.1	16.6	17.7	18.6	improving
Agriculture Credit (YoY Gr%)	9.2	7.5	6.8	7.3	7.6	9.0	8.9	8.7	12.1	11.4	12.3	15.6	13.7	14.9		
Industry Credit (YoY Gr%)	7.0	5.3	6.3	6.5	7.0	7.8	10.0	9.6	12.8	12.1	13.5	15.0	15.1	17.5		
Services Credit (YoY Gr%)	10.1	8.4	8.8	10.2	10.3	9.8	13.0	11.7	15.4	15.5	16.3	19.0	18.6	20.4		
Retail Credit (YoY Gr%)	11.9	11.1	11.7	11.9	11.9	11.8	14.0	12.8	14.6	14.9	15.2	16.2	16.0	15.4		
Bank Deposits (YoY Gr%)	9.8	9.9	10.1	10.2	9.3	9.4	10.8	10.2	12.7	10.6	11.3	16.2	13.3	12.2	13.3	improving
Demand (YoY Gr%)	6.0	19.2	18.1	17.7	12.5	17.4	22.7	16.9	27.4	17.6	19.1	36.7	25.6	10.8	15.1	improving
Time (YoY Gr%)	10.3	8.6	8.9	9.2	8.9	8.3	9.3	9.3	10.7	9.7	10.3	13.4	11.7	12.4	13.0	improving
C-D Ratio (%)	79.7	78.9	78.9	79.2	79.0	80.2	80.2	80.5	81.8	82.3	82.4	81.4	82.0	82.7	82.6	improving
Weighted Average Lending Rate Fresh Rupee Loans (%)	9.3	9.2	8.6	8.8	8.7	8.4	8.6	8.7	8.3	8.5	8.4	8.4	8.5	8.5		
Weighted Average Deposit Rate (%)	7.1	7.1	7.0	6.9	6.9	6.8	6.8	6.7	6.7	6.6	6.6	6.6	6.6	6.6		
Banking Sector	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Trend*
UPI (No. in Cr)	1789	1868	1840	1947	2001	1963	2070	2047	2163	2170	2039	2264	2235	2320	2272	improving
IMPS (No. in Cr)	44.9	46.4	44.8	48.2	47.7	39.4	40.4	36.9	38.0	37.4	33.6	36.6	36.2	35.8	35.4	improving
NPCI Retail transactions volume (YoY Gr%)	30.1	30.0	28.5	31.0	30.2	23.8	17.9	25.9	26.0	28.8	7.6	22.6	15.5	20.9	13.3	improving
Inflation	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	improving
CPI (YoY Gr%)	3.2	2.8	2.1	1.6	2.1	1.4	0.3	0.7	1.3	2.7	3.2	3.4	3.5	3.9	4.4	worsening
Core CPI (YoY Gr%)	4.1	4.2	4.4	4.1	4.1	4.3	4.4	4.3	4.6	3.4	3.4	3.4	3.4	3.9	4.2	worsening
WPI (YoY Gr%)	0.9	0.1	-0.2	-0.6	0.5	0.2	-1.0	-0.1	1.0	1.2	2.2	4.0	8.4	9.7	9.9	worsening
Consumer	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Trend*
Electricity Consumption (YoY Gr%)	2.8	-4.8	-2.3	2.6	3.8	3.5	-5.8	-0.6	5.8	3.8	1.0	0.8	3.0	10.8	11.5	improving
Consumer Durables (YoY Gr%)	6.0	5.7	6.6	11.2	9.2	9.8	5.1	12.0	12.3	12.9	10.1	5.2	6.0	6.6	7.5	improving
Consumer Non Durables (YoY Gr%)	5.2	1.9	1.4	3.9	0.9	4.6	-6.0	13.0	7.4	-0.2	4.2	2.4	5.6	8.0	7.7	improving
Trade	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Trend*
Merchandise Export (YoY Gr%)	-3.8	-1.2	-1.3	13.3	5.7	6.0	-12.5	18.6	1.1	0.4	-0.8	-7.4	14.2	17.9	15.5	improving
Merchandize Import (YoY Gr%)	20.0	-1.3	-3.4	9.1	-9.5	17.7	17.9	-1.5	10.3	19.2	24.1	-6.5	10.0	20.6	31.0	improving
Service Export (YoY Gr%)	8.9	9.6	12.0	10.4	2.8	12.6	2.2	6.7	13.0	9.8	9.7	7.2	12.7	2.8	2.9	improving
Service Import (YoY Gr%)	1.0	-1.0	5.1	8.5	-5.3	7.9	2.9	-2.1	7.4	-0.5	16.2	-1.6	8.9	5.6	12.7	improving
Logistics	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	improving
E Way bill generated (Nos. in Cr)	11.9	12.3	11.9	13.2	12.9	13.2	12.7	13.0	13.8	13.7	13.3	14.1	13.3	13.6	13.7	improving

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