27th October 2025

Industrial Production in Sep'25 may have moderated to 3.0% YoY

- IIP growth likely declined to 3.0% YoY in Sep'25, from 4.0% in previous month, due to temporary factors (like weather-related disruptions), slower manufacturing growth. Adverse base effects also played a role as IIP picked up to 3.2% in Sep'24 from 0% in Aug'24. Heavy and unseasonal rainfall in September may have negatively impacted key sectors, specifically mining and electricity generation.
- High-frequency indicators showed mixed signals in Sep'25. Manufacturing PMI eased to 57.7 in September, down from 59.3 in previous month. Services PMI also cooled to 60.9, from 62.9 in August. GST e-way bill generation reached a record high as businesses ramped up inventory ahead of the festive season. While electricity demand remained stable, petroleum consumption picked up pace.
- Core sector which has close to 40% contribution in IIP fell to a 3-month low of 3.0% YoY in Sep'25 (vs. 6.5% in Aug'25 and 2.4% in Sep'24), as coal, crude oil, natural gas and refinery products declined in September. Infrastructure-based industries on the other hand did well, with fertilizers, steel, cement and electricity recording positive YoY growth in September. On MoM basis, only cement growth was positive.
- Merchandise exports expanded for the third consecutive month at 6.8% YoY in Sep'25 vs. 6.7% growth in Aug'25. Imports surged by 16.7%, as against negative 10.1% growth in previous month.
- Auto production continued to show robust growth of 10.8% from a growth of 8.1% in Aug'25, led by strong output of two-wheelers and passenger vehicles.
- From a use-based classification perspective, recovery in aggregate demand may have continued to remain weak in Sep'25 IIP as was witnessed in recent months. The overall consumer IIP is expected to be around 0.2%. Consumption demand may be primarily led by urban demand (proxied by durables) while rural demand (proxied by non-durables) may also have recovered in a low inflation environment. Two-wheeler sales growth was 6.5% YoY in Sep'25, as against 2.2% growth seen in previous month. Tractor sales growth moderated to 3.6% vs 30.1% growth in Aug'25.
- 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. The steel and cement sectors continued to display strong growth in Sep'25, driven by government capex. This is attested by the YoY core sector growth in cement (5.3%) and steel (14.1%) production in Sep'25.
- Industrial production growth in Sep'25 is expected to be subdued on slowdown in output due to temporary factors, but with a potential rebound on the horizon. Heavy and unseasonal rainfall in September may have negatively impacted mining and electricity generation. Manufacturing sector may have registered slower growth on negative tariff impact on key export-oriented sectors. That said, we are likely to see a sharper pickup in IIP momentum in October on GST reform led kicker, specifically in sectors like auto and consumption led segments as well.

Fig 1: IIP likely declined in Sep'25; % y/y

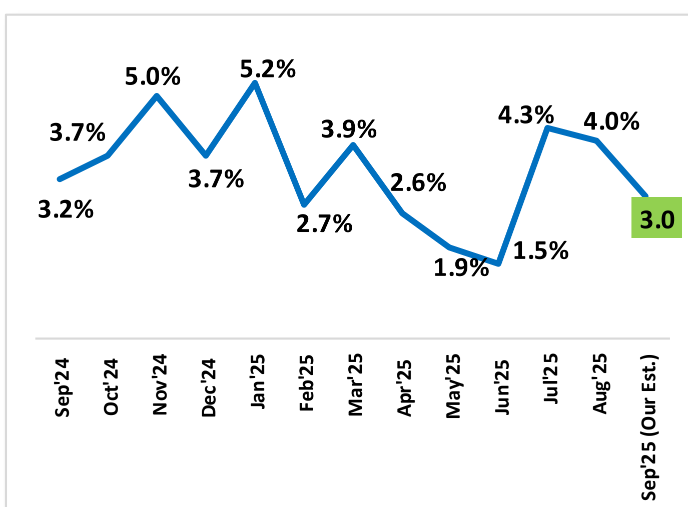

Fig 2: Mining & manufacturing likely led the fall in Sep'25 IIP; % y/y

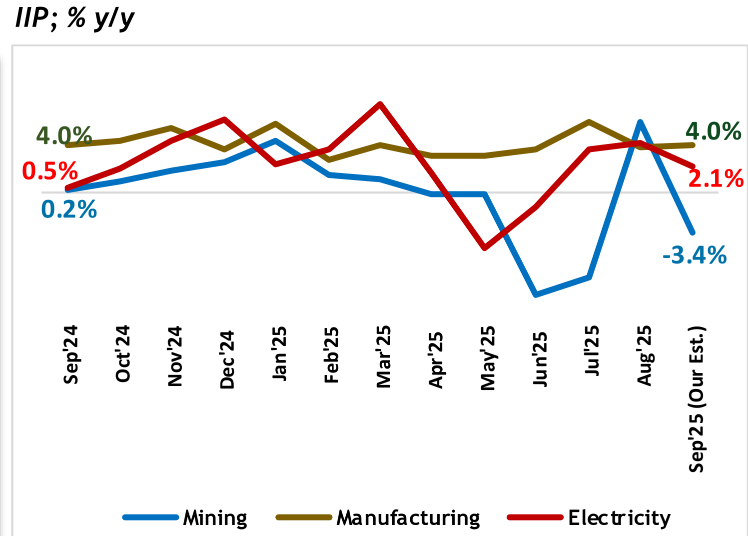

Fig 3: Capital & Construction goods may have boosted IIP growth in Sep'25; % y/y

Industrial Production: Sectoral				
Sector	Weight	YoY Growth %		
		Jul'25	Aug'25	Sep'25 (Est.)
Mining	14.4	-7.2%	6.0%	-3.4%
Manufacturing	77.6	6.0%	3.8%	4.0%
Electricity	8.0	3.7%	4.1%	2.1%
Industrial Production: Use-based				
Primary goods	34.0	-0.7%	5.2%	2.4%
Capital goods	8.2	6.8%	4.4%	4.2%
Intermediate goods	17.2	6.1%	5.0%	0.7%
Infrastructure/Construction Goods	12.3	13.7%	10.6%	11.4%
Consumer durables	12.8	7.3%	3.5%	6.2%
Consumer non-durables	15.3	0.5%	-6.3%	-3.8%

Source: CEIC, UBI Research *Sep'25 figures are UBI estimates*

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