

Macroeconomics | **First cut**

Manufacturing lifts IIP

June 2026

IIP growth accelerates in April as domestic demand holds up

Industrial growth, as measured by the revised Index of Industrial Production (IIP) series, accelerated to 4.9% in April from 3.2% in March, driven by stronger growth in manufacturing and electricity production. Domestic demand remained resilient, as evident in auto sales, retail credit, electricity demand and other indicators, despite headwinds from the West Asia conflict.

Industrial production could remain subdued in the months ahead owing to weaker global demand and supply chain disruptions.

The larger risk, however, is rising costs. The energy supply shock caused by the conflict has morphed into a price shock, with the costs of fuel, transport and other imported inputs increasing.

Cost pressures are already visible, with wholesale inflation jumping to a 42-month high of 8.3% in April, alongside consecutive increases in the retail prices of diesel and petrol.

While government capital expenditure and other fiscal support measures, such as rationalisation of goods and services tax (GST) rates and unconditional cash transfers by states, should support the economy, some moderation in economic activity is expected. Net-net, we expect gross domestic product (GDP) growth of 6.6% this fiscal, compared with 7.6% in the previous one.

IIP data highlights for April

- IIP growth accelerated to 4.9% in April from 3.2% in March
 - As per the sectoral classification, manufacturing (6.2% vs 3.9%), and electricity and gas (4.9% vs 4.4%) were the key drivers of growth, while water supply, sewerage, and waste management recorded slightly stronger growth (6.6% vs 6.4%). On the other hand, mining was a drag, declining 5.1% compared with a decrease of 2.6% in the previous period
 - Among the industrial and investment use-based segments, capital goods (16% vs 11.2%), intermediate goods (7.7% vs 4.1%), and infrastructure and construction goods (7.1% vs 5.8%) were the growth drivers, while primary goods (0.8% vs 1.3%) weakened
 - The consumer sector also showed improvement, with consumer non-durables rising 2.8% (vs -0.9%) and consumer durables rising 4.3% (vs 2.4%)
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Input shortages hit primary goods

- Growth in capital goods reached its highest level since December 2024, driven by machinery and equipment (12.9% in April vs 6% in March) and fabricated metal products (11.7% vs 6.4%)
- Growth in chemical products (0.4% vs -4.8%) and textiles (15.6% vs 10.7%) rebounded, lifting growth in intermediate goods
- Higher growth in infrastructure and construction goods was primarily driven by non-metallic mineral products, which saw a pick-up (4.3% vs 2.1%), while basic metals (5.8% vs 6.9%) softened
- The conflict in West Asia affected growth in primary goods
 - Segments such as coke and refined petroleum products (-0.4% vs 0.5%), and gas supply (-11.2% vs 7.1%), which depend on energy inputs from West Asia, felt the pinch of supply chain pressures. Domestic petroleum consumption also weakened amid rising prices, according to high-frequency data
 - Electricity demand rose in April, fuelled by higher-than-average temperatures. The key driver of IIP growth in the electricity and gas supply category was the increase in electricity generation from renewable sources (18%), which is encouraging amid the expected shortage of key non-renewable fuels. Electricity generation from non-renewable sources was up 2.8%
 - Mining activity slumped, as non-metallic minerals (-14.2% vs -17.1%) and fuel minerals (-5.7% vs -2.2%) logged sharp on-year declines in output

Consumer-facing sectors see surge in growth

- Growth in consumer durables recovered in April
 - Transport-related sectors, such as other transport equipment (18.9% in April vs 14.3% in March) and motor vehicles (12.7% vs 19.2%), which have benefitted from the GST rate rationalisation, continued to see double-digit growth, reflecting resilient domestic demand
 - Wearing apparel (-7% vs -9.4%) and computer, electronic, and optical products (1.1% vs -1%), which are export-oriented sectors, remained subdued
- Food products (5.3% vs -0.1%) and pharmaceuticals (3.4% vs -1.4%) supported higher growth in consumer non-durables

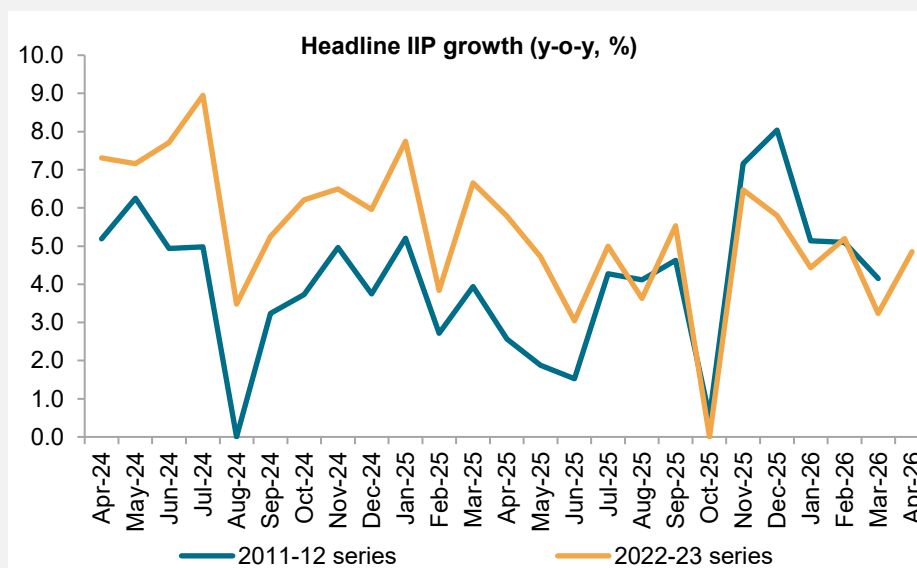
Improved performance of key export-oriented sectors

- The performance of several key export-oriented sectors, such as computer and electronic products, textiles, chemical products and pharmaceuticals improved in April vis-à-vis March. This aligns with the acceleration in core export growth to 10.4% on-year in April (vs -7.5% in March)

Better methodology, broader coverage in new IIP series

- The new IIP basket includes 463 item groups, up from 407 in the 2011-12 series. The expanded basket now encompasses additional segments, such as water supply, sewerage and waste management, broadens the coverage of minerals to include rare earths and minor minerals, and provides disaggregated indices for electricity. These enhancements provide a more comprehensive view of industrial activity and capture emerging sectors better
- The segregation of electricity into renewable and non-renewable categories will make it easier to track India's transition to green energy. Data shows that renewable energy generation increased 16-17% per year in the last decade
- The new IIP basket also adds rare earth minerals to the mining index, which is important given their growing strategic significance. Although India relies on imports of rare earths, with 85-90% of its requirements by quantity having been imported in 2022-25¹, steps are being taken to increase self-reliance in critical metals. Recent initiatives by the central government, such as the Rare Earth Permanent Magnet Manufacturing Scheme and the development of a dedicated rare earth corridor, underscore this commitment. The inclusion of rare earth metals in the IIP will be helpful in tracking progress on this front
- **IIP growth over the last three years has been revised upwards:** For the overlapping years (fiscals 2024-2026), headline IIP growth is 100 basis points higher in the revised series, averaging 5.8%, driven by upward revisions in manufacturing (6.1% vs 4.9%) and electricity (5.6% vs 4.4%) growth. However, numbers for the recent past have been revised downwards, with IIP growth averaging 4.2% in the second half of fiscal 2026 under the new series, compared with 5% under the old series

Comparison of headline IIP growth under the old and new series



Source: MoSPI, Crisil

Updated weights in the IIP basket

Segment	2011-12 series	2022-23 series
Mining and quarrying	14.4	11.1
Manufacturing	77.6	76.1
Electricity and gas supply	8.0	10.9
Water supply, sewerage and waste management	Not covered	2.0

Source: MoSPI

¹ Press Information Bureau, "India's Rare Earth Strategy: Manufacturing, Corridors, and Global Integration", February 2026

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