

Industrial growth eased in August; as manufacturing, consumer-related goods production growth weakened

8 October, 2025

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Data Highlights

Headline IIP

- Industrial production growth eased to 4.0%YY in August from 4.3% in July. The print was below street estimates (Reuters poll: 5.0%), and dragged by month-on-month fall in the index (-2.9%) that was steeper than historical average for August (-0.5%, FY13-25, ex-COVID years) and offset favorable base effect.

Sectoral indices:

Manufacturing (Wt. 77.6)
Mining (Wt. 14.4)
Electricity (Wt. 8.0)

- The moderation in headline industrial growth traced the trend in index heavyweight manufacturing where year-on-year output growth eased to 3.8% from 21-month high of 6.0% in July. Of the 23 manufacturing sub-sectors, output fell year-on-year in 13, up from nine in July. There were improvements in production growth of mining and electricity, indicating slight waning impact of the monsoon season.
- Base effects were favorable across sectors but only mining posted month-on-month increase in output. In fiscal year-to-date (FYTD) terms, IIP growth was at 2.9%YY versus 4.3% in Apr-Aug FY25. The drag was mainly from electricity and mining, while manufacturing growth was mildly better than in the same period of FY25.

Use-based classification:

Primary (Wt. 34.0)
Intermediate (Wt. 17.2)
Consumer non-durables (Wt. 15.3)
Consumer durables (Wt. 12.8)
Infrastructure (Wt. 12.3)
Capital (Wt. 8.2)

- By type of goods, there was either decline or moderation in year-on-year output growth across most groups, except primary goods, where production grew after four straight months of decline, mirroring the trend in mining. Despite easing, infrastructure goods output growth stayed in double digits for the second successive month. Production growth of capital and intermediate goods was in the range of 4%-5%, lower than over 6% growth in July. Consumer-related segments underperformed, with non-durables output falling, while that of durables easing.
- Base effects were supportive across most types of goods, except infrastructure goods and consumer durables. Output fell month-on-month across types of goods, and the decline was steep in case of capital goods and consumer non-durables.
- In FYTD terms, output growth was higher year-on-year than in Apr-Aug FY25 in case of capital, intermediate, and infrastructure goods, while it moderated in case of primary goods and consumer durables. The production of consumer non-durables remained in contraction and at a sharper rate than in Apr-Aug FY25.

Outlook and Policy Implication

- **Assessing historical trends:** Historical data (FY13-25, ex-COVID years) shows that after declining in August, the sequential momentum in industrial output tends to improve in September by around 0.3% (average) – 0.8% (median). Base effect is slated to be slightly unfavorable that could offset some of the monthly gains. These calculations indicate that industrial growth could be in the range of 3.6%YY - 4.0%YY in September.
- **Signals from high frequency data:** In September, retail automobile registrations, particularly two-wheelers and passenger vehicles, improved as the onset of the festive season coincided with the implementation of the GST rate cuts. There was also improvement in white collar hiring, as indicated by the Naukri JobSpeak Index. GST revenues and port cargo traffic increased at higher year-on-year growth rates vis-à-vis July. But there were also pockets of softness, with lower growth in railway freight traffic and commercial vehicle registrations.
- **Insights from survey data:** The composite PMI for September eased vis-à-vis August, though it remained in expansion, reflecting trends in both manufacturing and services. The softer increase in new services orders was underscored by moderation in export order growth. In case of manufacturing, GST rate cuts and demand from economies outside of the US enabled improvement in business optimism and new export orders, respectively. Details from the latest RBI survey on the manufacturing sector outlook shows slight tempering of expectations on overall business situation in Q3-FY26 before a likely rebound in H1-2026.
- **US tariff developments:** In addition to the 50% tariffs on India's exports to the US that became effective from August 27, the US administration further announced tariffs on branded pharmaceutical drugs; timber, lumber and their derivative products. The impact of these recent measures on India is expected to be limited. But the hike in H-1B visa fees and the proposed Halting International Relocation of Employment (HIRE) Act that seeks to seeks to curb outsourcing by US companies extend the ambit ongoing tariff wars to services trade, with ramifications for India's external balance that has been increasingly supported by services exports in recent years. The two economies continue to engage in negotiations and are expected to soon ink a trade deal.
- **Policy implication:** In its policy decision on October 1, the RBI MPC kept the policy repo rate at 5.50% and the stance at neutral, but the bias was slightly dovish, with two external MPC members voting for a change in stance to accommodative. If the US-India trade talks further prolong and the impact of current high tariffs starts to reflect in economic activity, the MPC could deliver a 25bp rate cut in December, even as median expectation of a 25bp rate cut has shifted to Q4-FY26, as per RBI's latest round of survey of professional forecasters (SPF). Though external headwinds cloud the outlook, domestic consumption is expected to improve due to cyclical boost from good monsoon, low inflation, monetary and regulatory policy easing, fiscal stimuli via income tax relief and the recent GST rate cuts. The hope is that an increase in domestic demand and policy easing could offset some of the impact from tariff-related woes, and provide the much-awaited fillip to private investment and support to economic growth.

Industrial growth eased to 4.0%YY in Aug from 4.3% in Jul

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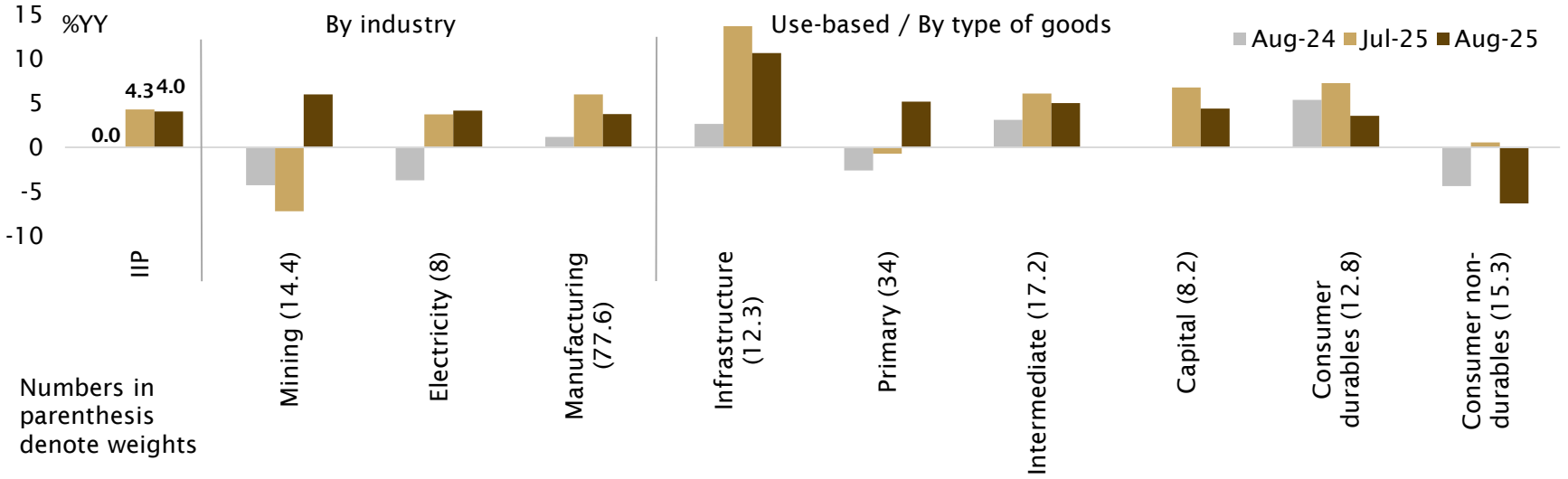
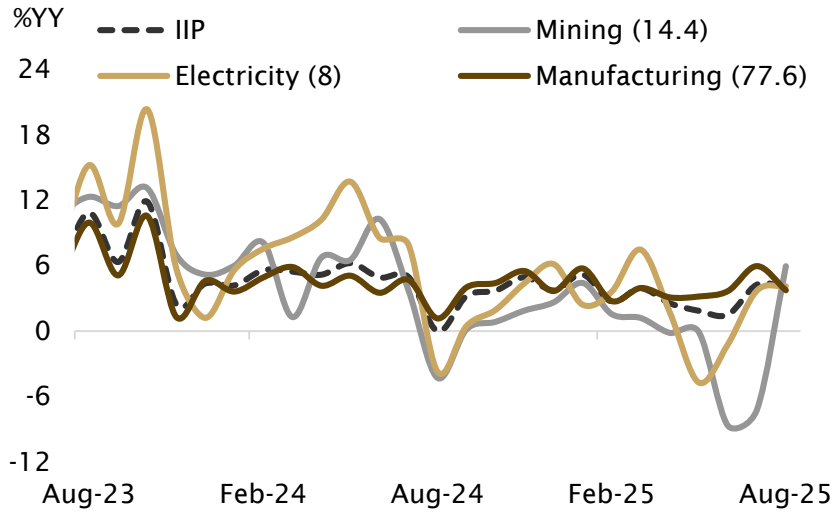
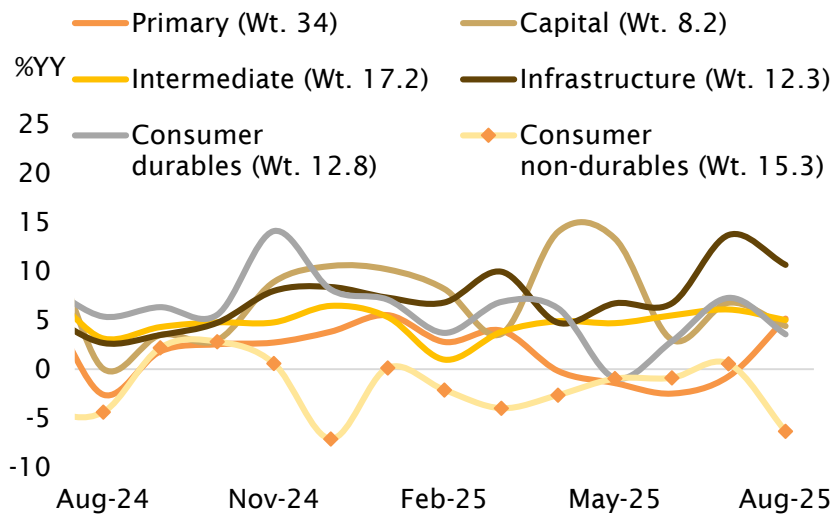
Industrial growth eased in August tracing the trend in manufacturing, lower output growth across most types of goods



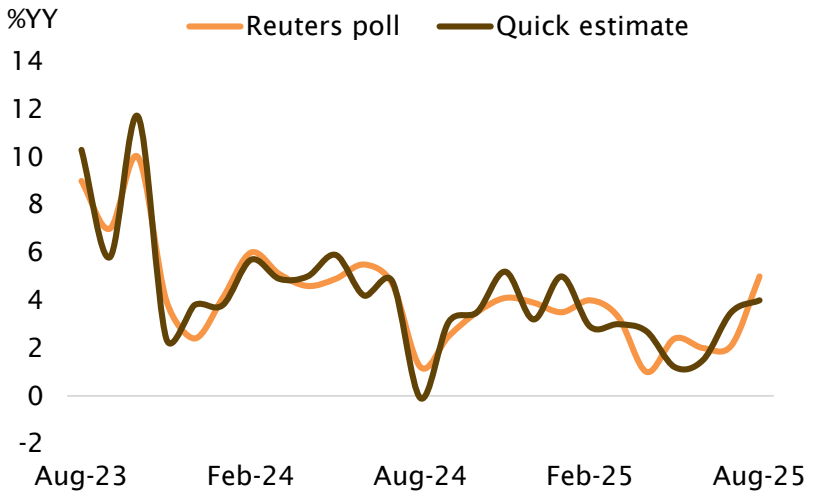
Mining, power output growth improved amid moderation in manufacturing; consumer-related goods underperformed





Sequential decline in output offset favorable base effect

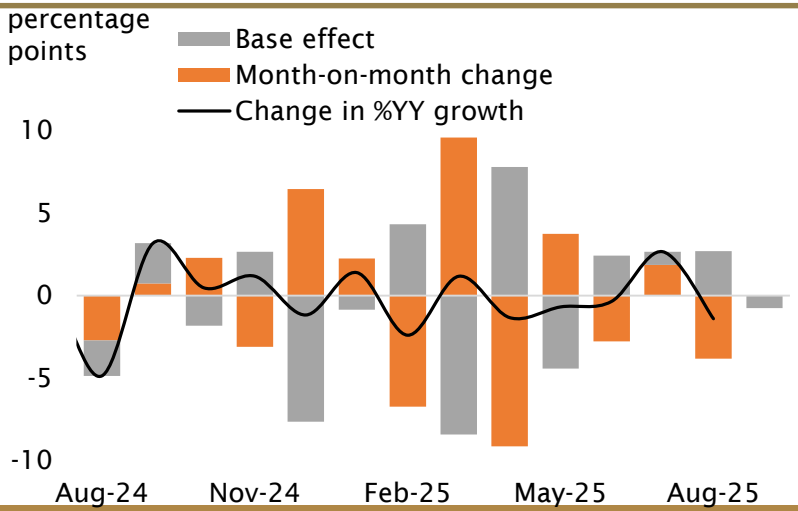
Industrial output grew below market estimates in Aug; overall momentum improved despite lower y/y growth vis-à-vis Jul

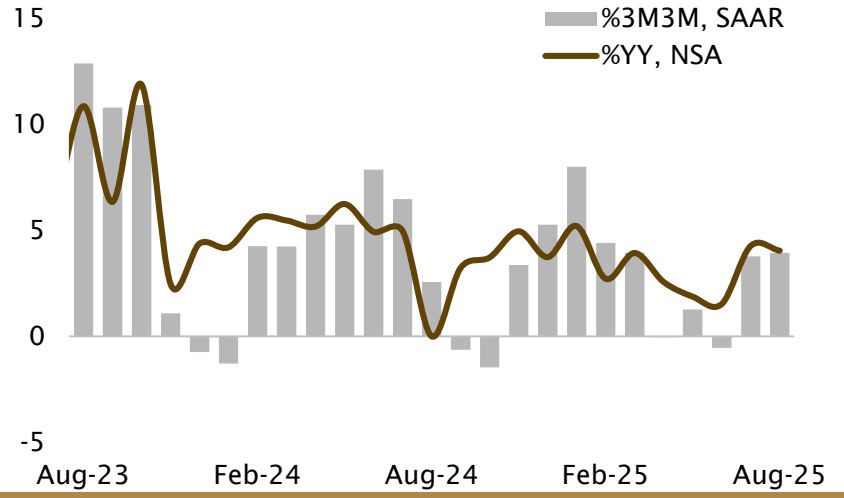


%YY	Weight	Jun-25	Jul-25	Aug-25
Industrial production	100.0	1.5	4.3	4.0
Sector-based classification				
Mining	14.4	-8.7	-7.2	6.0
Electricity	8.0	-1.2	3.7	4.1
Manufacturing	77.6	3.7	6.0	3.8
Use-based/type of goods				
Primary goods	34.0	-2.5	-0.7	5.2
Capital goods	8.2	3.0	6.8	4.4
Intermediate goods	17.2	5.5	6.1	5.0
Infra. /construction	12.3	6.7	13.7	10.6
Consumer durables	12.8	2.8	7.3	3.5
Consumer non-durables	15.3	-0.9	0.5	-6.3

Note: Color code is based on %3M3M, SAAR data. Green shows high momentum, red indicates the opposite.

The month-on-month fall in industrial output in Aug was steeper than historical trends that offset supportive base effect





Fiscal year-to-date industrial growth below historical trends

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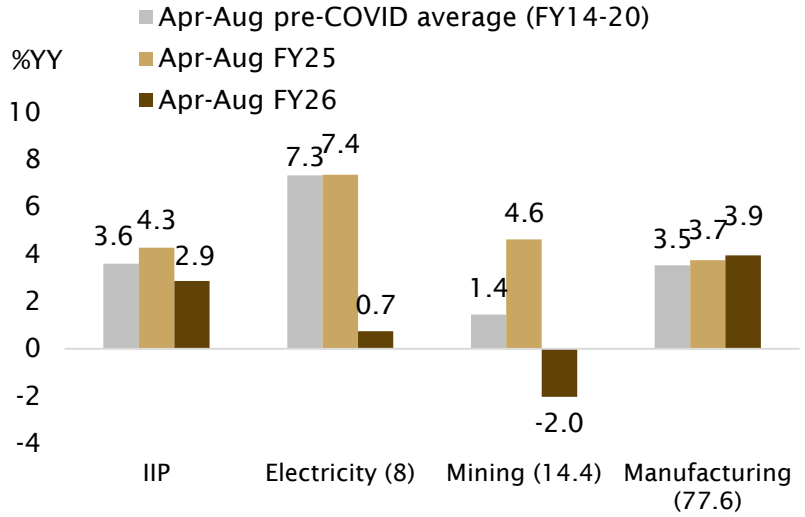
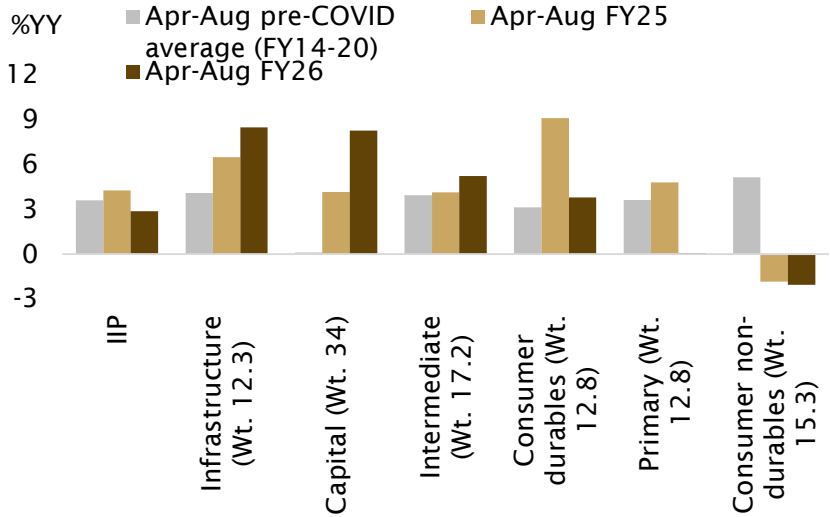
Fiscal year-to-date industrial growth below past trends; even as manufacturing, capex-related segments performed better



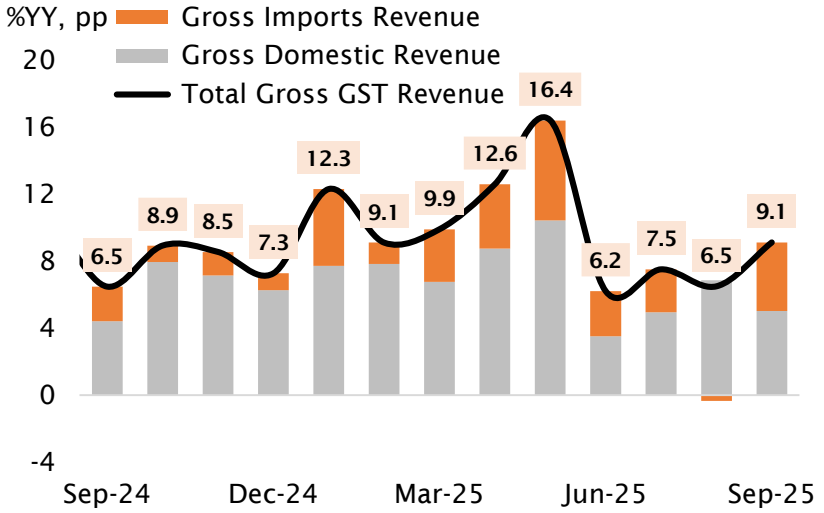


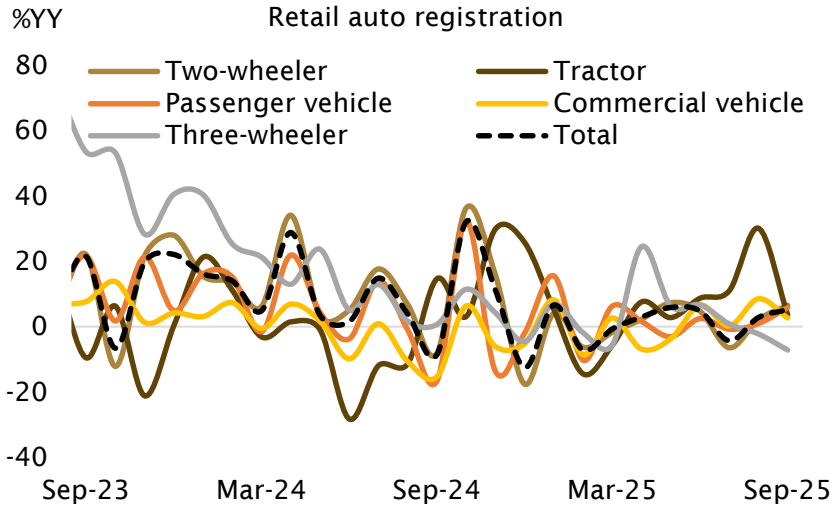
Top/bottom five sub-sectors by contribution to year-on-year IIP growth (monthly, FYTD basis, pre-pandemic comparison)

(percentage points)	Aug-25	Aug-24	FYTD	FY26	FY25	FY26 vs pre-pandemic average (FYTD)	
Basic metals (12.8)	2.01	0.62	Basic metals (12.8)	1.65	1.23	Basic metals (12.8)	0.70
Coke, petroleum pdts. (11.8)	0.81	-0.10	Motor vehicles, trailers, etc. (4.9)	0.54	0.33	Motor vehicles, trailers, etc. (4.9)	0.44
Motor vehicles, trailers, etc. (4.9)	0.61	0.03	Electrical equipment (3)	0.40	0.75	Electrical equipment (3)	0.41
Electrical equipment (3)	0.44	0.68	Machinery, equipment (4.8)	0.38	0.07	Machinery, equipment (4.8)	0.28
Fabricated metal pdts. (2.7)	0.30	-0.25	Fabricated metal pdts. (2.7)	0.30	0.21	Fabricated metal pdts. (2.7)	0.27
Other manufacturing (0.9)	-0.14	-0.10	Beverages (1)	-0.05	0.06	Other manufacturing (0.9)	-0.16
Recorded media (0.7)	-0.14	-0.07	Recorded media (0.7)	-0.11	-0.04	Coke, petroleum pdts. (11.8)	-0.18
Chemicals (7.9)	-0.20	0.22	Pharmaceuticals (5)	-0.14	-0.08	Food products (5.3)	-0.32
Food products (5.3)	-0.33	-0.09	Other manufacturing (0.9)	-0.19	-0.08	Chemicals (7.9)	-0.51
Pharmaceuticals (5)	-0.59	-0.38	Chemicals (7.9)	-0.30	0.16	Pharmaceuticals (5)	-0.85

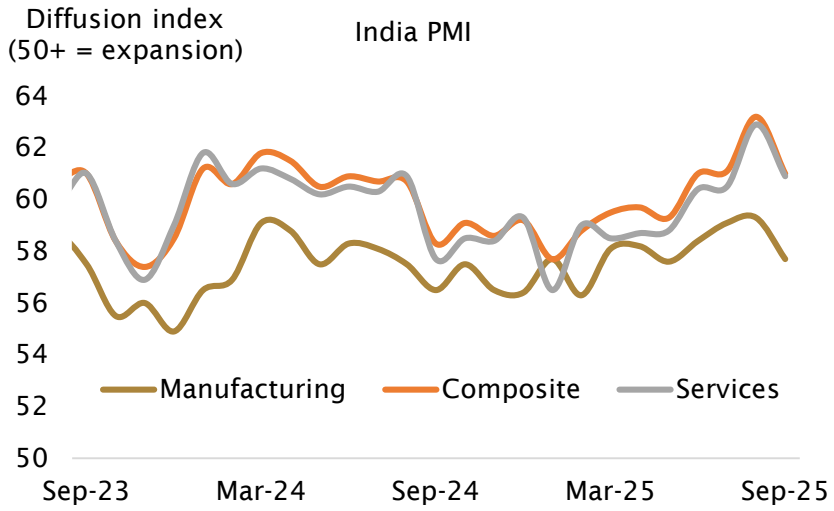
High frequency data on economic activity remains mixed

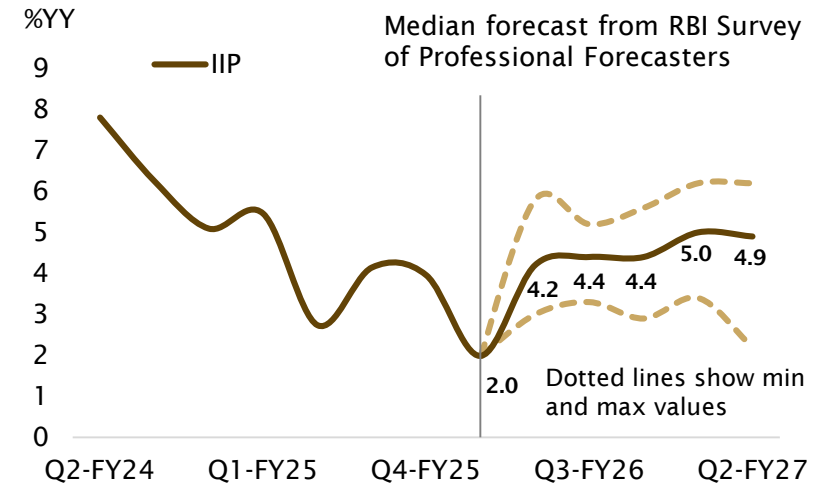
GST revenue growth improved in Sep; even as total retail auto registrations improved in Sep, internal trends were mixed





PMI indices stayed in expansion but eased in Sep; RBI survey shows likely improvement in IIP growth in coming quarters





Select high frequency indicators

Colour codes based on minimum and maximum Z-score values since April 2023 for respective variables; green shows improvement, red indicates weakening. (Reversed for MGNREGA data where a fall implies improved farm activity)

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(%YY, unless mentioned otherwise)		Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25
Agriculture and rural sector	Tractor sales	30.9	21.6	7.0	8.4	10.2	7.1	24.6	
	Tractor registrations	-14.5	-5.7	7.6	2.8	8.7	11.0	30.1	3.6
	Two wheeler sales	-9.0	11.4	-16.8	2.2	-3.4	8.7	7.1	
	Two-wheeler registrations	-6.3	-1.8	2.3	7.3	4.7	-6.5	2.2	6.5
	Three-wheeler registrations	-1.9	-5.7	24.5	6.3	6.7	0.8	-2.3	-7.2
	Household work demand under MGNREGA	2.8	2.2	-6.5	4.4	4.4	-12.3	-26.2	-27.0
Industry, construction and urban sector	Industrial production	2.9	3.0	2.7	1.2	1.5	3.5	4.0	
	Core sector output	2.9	3.8	0.5	0.7	1.7	2.0	6.3	
	Cement production	10.7	12.2	6.3	9.7	8.2	11.6	6.1	
	Natural gas production	-6.7	-4.8	-1.7	-4.1	-3.3	-3.6	-2.7	
	Electricity requirement	2.0	5.7	2.8	-4.8	-2.3	2.6	3.8	3.4
	Steel consumption	11.3	11.5	6.0	7.1	7.9	7.7	8.2	
	Fuel consumption	-5.2	-3.1	0.2	0.7	0.5	-3.9	2.6	7.0
	Passenger vehicle sales	12.9	3.7	5.5	0.8	-6.3	1.5	-9.0	
	Passenger vehicle registrations	-10.3	6.3	1.6	-3.1	2.5	-0.8	0.9	5.8
	Naukri JobSpeak Index	4.0	-1.5	8.9	0.3	10.5	6.8	3.4	10.1
Services	Commercial vehicle registrations	-8.6	2.7	-6.9	-3.7	6.6	0.2	8.6	2.7
	Railway freight traffic	-2.4	2.9	4.5	3.1	1.2	-0.1	9.0	3.8
	Port cargo traffic	3.6	13.3	7.0	4.4	5.6	4.0	2.6	11.5
	Toll collection (volume)	18.7	11.9	16.6	16.4	15.5	14.8	12.7	
	Domestic air cargo traffic	-2.5	4.9	16.6	2.3	2.6	4.8	7.1	
	International air cargo traffic	-6.3	3.3	8.6	6.8	-1.2	4.2	4.5	
	Domestic air passenger traffic	12.1	9.9	9.7	2.6	3.7	-2.5	-0.5	
	International air passenger traffic	7.7	6.7	12.9	5.0	3.4	5.4	7.8	
	Tourist arrivals	-8.6	-13.7	-6.6	-24.2	-23.6			
	GST e-way bills (total)	14.7	20.2	23.4	18.9	19.3	25.8	22.4	
	GST revenue collection	9.1	10.2	12.7	16.4	6.2	7.5	6.5	9.1
PMI (Index)	PMI Manufacturing	56.3	58.1	58.2	57.6	58.4	59.1	59.3	57.7
	PMI Services	59.0	58.5	58.7	58.8	60.4	60.5	62.9	60.9

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