

Industrial growth was stable in September at 4.0%YY; improved to 4.1% in Q2 from 2.0% in Q1

31 October, 2025

TRUST
In Partnership With Trust

Data Highlights

Headline IIP

- Industrial growth held steady at 4.0%YY in September, compared to 4.1% growth in August. The print was above market polls (Reuters: 3.0%) but within our estimated range of 3.6%-4.0%. The month-on-month rise of 0.7% was in line with historical trend for the month (median 0.8%, average 0.3%) but offset by negative base effect.

Sectoral indices:

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

- The index heavyweight manufacturing posted higher growth of 4.8%YY versus 3.8% in August. Of the 23 sub-sectors, output grew year-on-year in 13, up from ten in August. The improvement in manufacturing offset the drop in mining output and slower growth in electricity production. These could be attributed to above normal rains that hit activity and cooler temperatures that led to less power demand.
- Both mining and electricity output fell month-on-month, while manufacturing posted above average growth. Base effect was favorable only in case of electricity. In fiscal year-to-date (FYTD) terms, IIP growth was at 3.1%YY versus 4.1% in H1-FY25. The drag from electricity and mining offset improvement in manufacturing growth.

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)

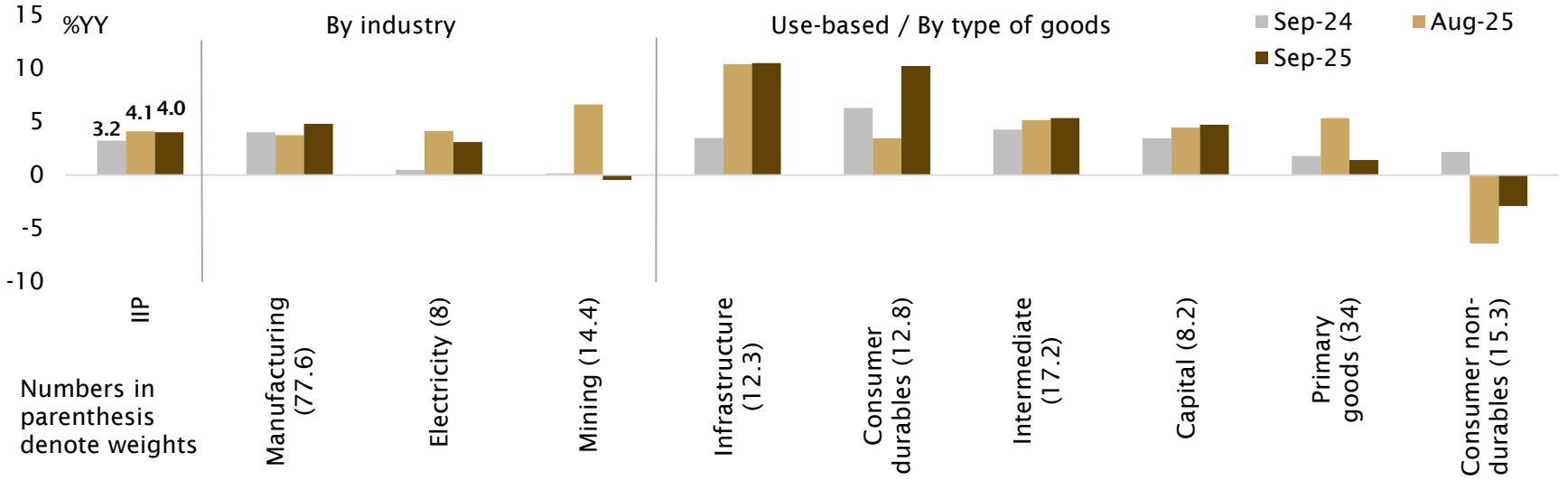
- By type of goods, consumer durables output grew by double digits year-on-year for the first time in ten months, perhaps, in anticipation of higher demand post the GST rate cuts that became effective from 22-Sep. Infrastructure goods growth remained in double digits for the third straight month, underscoring the support from public capex momentum. There were mild improvements in year-on-year output growth of capital and intermediate goods vis-à-vis August. Primary goods growth eased, while consumer non-durables remained in contraction, albeit at a shallower rate.
- Base effects and month-on-month trends were mixed across types of goods. Base effects were negative for capital and consumer-related goods, even as the sequential momentum was positive for these goods. The opposite trends held for other goods.
- The year-on-year output growth improved in H1-FY26 compared to H1-FY25 in case of capital, intermediate, and infrastructure goods. There was slowdown in primary goods and consumer durables output growth. The production of consumer non-durables remained in contraction and at a sharper rate than in H1-FY25.

Outlook and Policy Implication

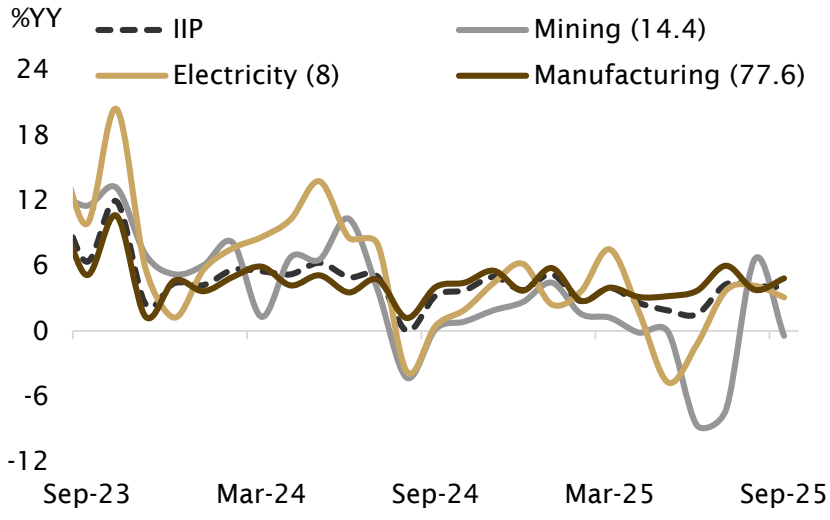
- **Assessing historical trends:** Historical data (FY13-25, ex-COVID years) shows that the sequential momentum in industrial output tends to be higher in October than in September at around 0.9% (average) – 1.8% (median). Base effect is slated to be more negative than in the previous month, which could offset some of the monthly gains. These calculations indicate that industrial growth could moderate to around 2.6% - 3.5% in October. However, anecdotal evidence on the consumer demand surge in October due to onset of the festive season coinciding with GST rate cuts suggest an upside to industrial output during the month.
- **Signals from high frequency data:** Rural data for September was positive, with a surge in tractor sales and continued decline in work demand under MGNREGA. Though above normal rains bode well for farm outlook, late withdrawal of monsoon, excess rains and weather disturbances need to be monitored for their impact on crop output and quality. On the urban side, the year-on-year contraction in passenger vehicle sales eased in September and anecdotal data indicates sales growth post GST rate cuts that became effective from 22-Sep.
- **Support from public capex:** As per 'State of the Economy' article in the RBI's bulletin for October, capital expenditure in States rebounded in Apr-Aug FY26. In the same period, the Union Government's capex was up 43%YY, accounting for about 38% of FY26BE, compared to 27% of FY25BE in the same period of FY25. The Centre's capex needs to grow at a faster pace in the remainder of FY26 to meet BE. These statistics bode well for continued strength in infrastructure and capital goods related segments within the IIP.
- **Insights from survey data:** The initial PMI estimates for October show moderation in the composite index, as slowdown in services offset improved manufacturing activity. The support to domestic demand from GST rate cuts is being partly offset by high US tariffs that are weighing on export orders and sentiment.
- **US-India trade deal:** Recent media reports suggest that India and the US are continuing negotiations for a trade pact that could be concluded as soon as November. In the meantime, India continues to face high 50% tariffs on its exports to the US, effective 27-Aug. The impact of these tariffs on export demand and domestic industry would depend on the time it takes to conclude a deal. Latest trade data for September shows that overall export growth held up well, despite initial signs of weakness in some sectors that export to the US.
- **Policy implication:** As on 29-Oct, futures pricing indicated more than 90% probability of a rate cut in December by the RBI MPC. The minutes of the RBI MPC meeting held in October indicate members leaning towards a rate cut to support economic activity, but at a more opportune time for better pass-through. The members were unanimous in noting that sanguine inflation outlook had opened policy space to support growth, particularly to counter the impact of US tariffs. When the MPC meets again from 3-5 Dec, it will have access to Q2-FY26 GDP data. High frequency data so far indicates improved economic activity in Q2 vis-à-vis Q1, so that the decision for a rate cut could largely hinge on developments around the US-India trade deal.

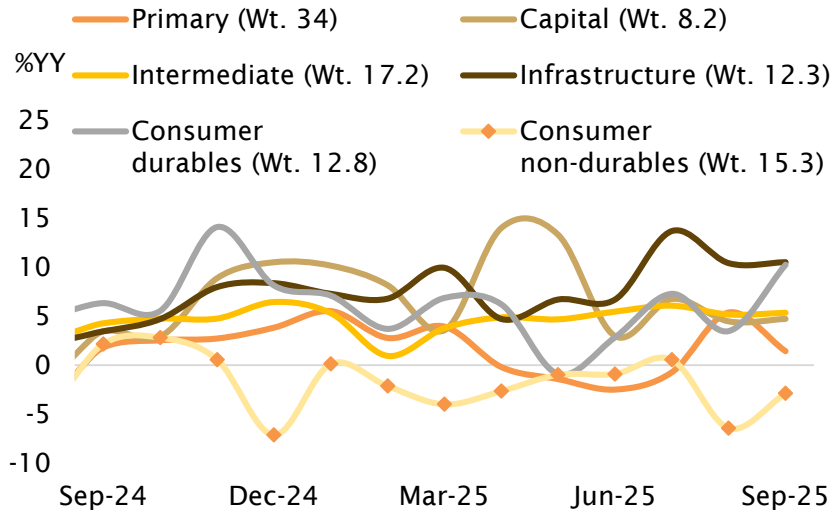
Industrial growth was stable in Sep at 4.0%YY vs. 4.1% in Aug

IIP growth was stable; led by manufacturing, pick-up in consumer durables, resilience in public capex-related output



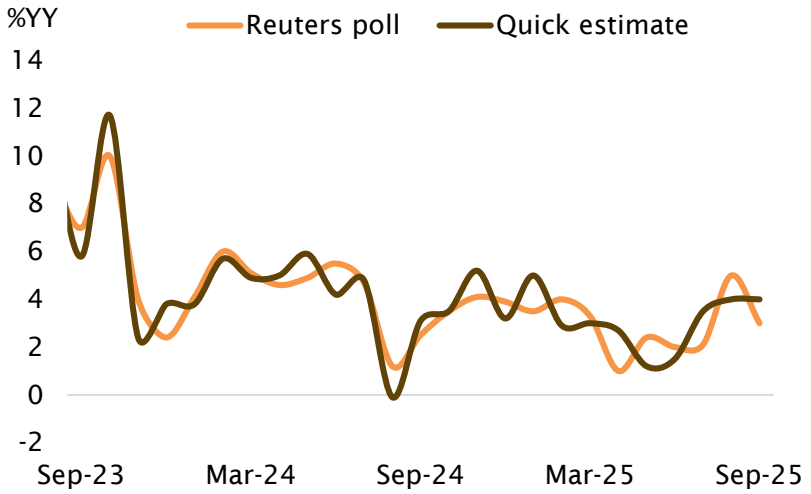
There was dip in mining, slowdown in electricity, continued weakness in non-durables, lower growth in primary goods





Unfavorable base effect offset sequential gain in output

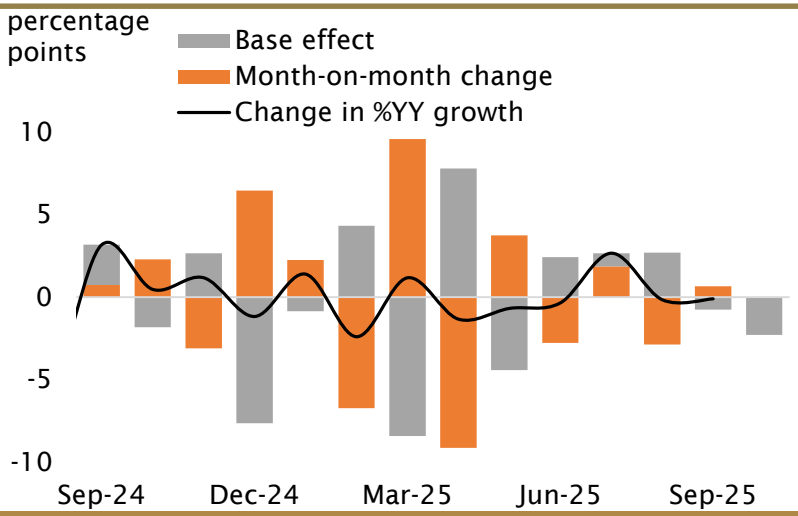
Industrial output grew above market estimates; momentum improved in seasonally and non-seasonally adjusted terms

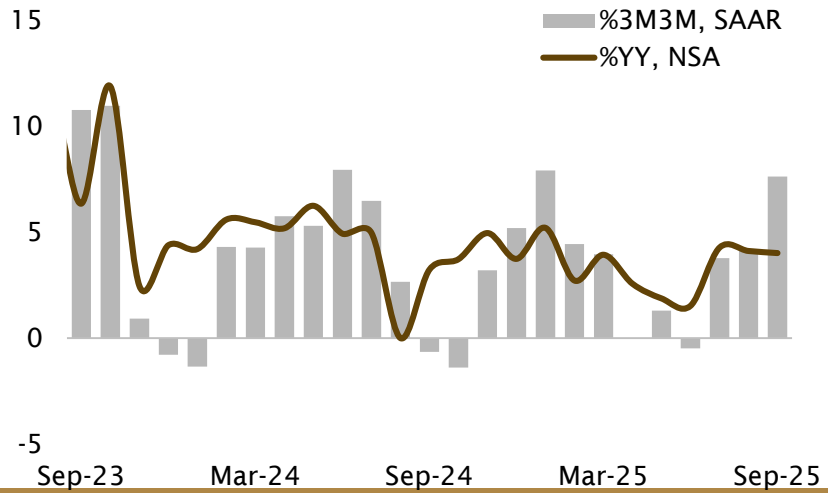


%YY	Weight	Jul-25	Aug-25	Sep-25
Industrial production	100.0	4.3	4.1	4.0
Sector-based classification				
Mining	14.4	-7.2	6.6	-0.4
Electricity	8.0	3.7	4.1	3.1
Manufacturing	77.6	6.0	3.8	4.8
Use-based/type of goods				
Primary goods	34.0	-0.7	5.4	1.4
Capital goods	8.2	6.8	4.5	4.7
Intermediate goods	17.2	6.1	5.2	5.3
Infra. /construction	12.3	13.7	10.4	10.5
Consumer durables	12.8	7.3	3.5	10.2
Consumer non-durables	15.3	0.5	-6.4	-2.9

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

The month-on-month gain in IIP in Sep was largely in line with historical median but was offset by unfavorable base effect

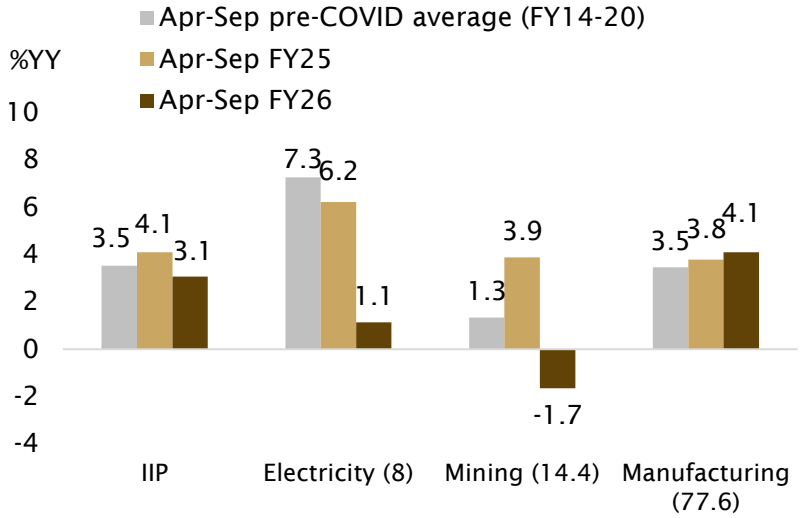


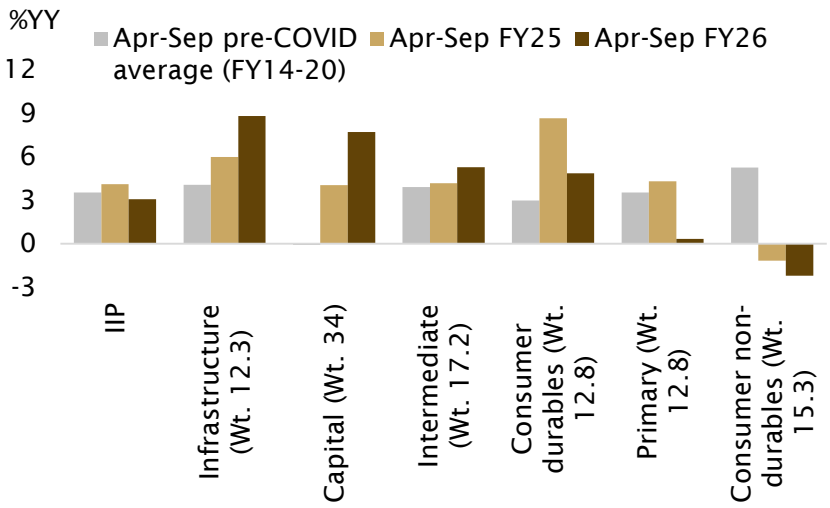


Fiscal year-to-date industrial growth below historical trends

TRUST
In Partnership With Trust

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



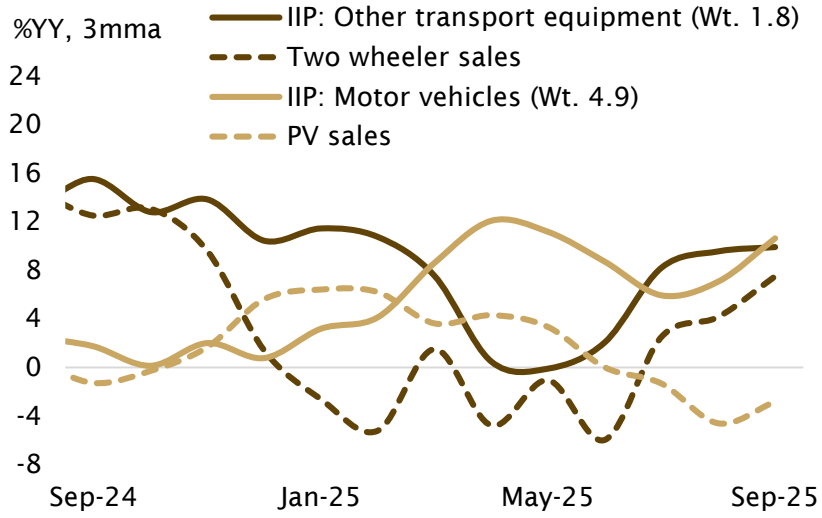


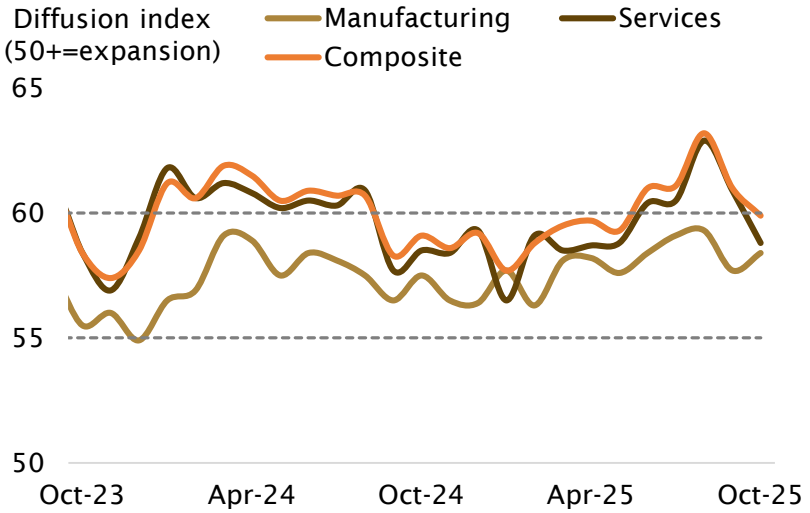
Top/bottom five sub-sectors by contribution to year-on-year IIP growth (monthly, FYTD basis, pre-pandemic comparison)

(percentage points)	Sep-25	Sep-24	FYTD	FY26	FY25	FY26 vs pre-pandemic average (FYTD)	
Basic metals (12.8)	2.03	0.47	Basic metals (12.8)	1.71	1.10	Basic metals (12.8)	0.77
Electrical equipment (3)	1.11	0.72	Motor vehicles, trailers, etc. (4.9)	0.60	0.29	Motor vehicles, trailers, etc. (4.9)	0.52
Motor vehicles, trailers, etc. (4.9)	0.92	0.10	Electrical equipment (3)	0.52	0.74	Electrical equipment (3)	0.52
Fabricated metal pdts. (2.7)	0.25	0.08	Machinery, equipment (4.8)	0.34	0.10	Fabricated metal pdts. (2.7)	0.27
Other non-metallic mineral pdts. (4.1)	0.23	0.19	Fabricated metal pdts. (2.7)	0.29	0.19	Machinery, equipment (4.8)	0.24
Other manufacturing (0.9)	-0.11	0.04	Food products (5.3)	-0.06	-0.14	Other manufacturing (0.9)	-0.15
Rubber, plastic pdts. (2.4)	-0.11	0.33	Recorded media (0.7)	-0.09	-0.04	Coke, petroleum pdts. (11.8)	-0.20
Food products (5.3)	-0.13	0.35	Pharmaceuticals (5)	-0.15	-0.05	Food products (5.3)	-0.34
Chemicals (7.9)	-0.13	0.48	Other manufacturing (0.9)	-0.18	-0.06	Chemicals (7.9)	-0.47
Pharmaceuticals (5)	-0.22	0.08	Chemicals (7.9)	-0.26	0.22	Pharmaceuticals (5)	-0.87

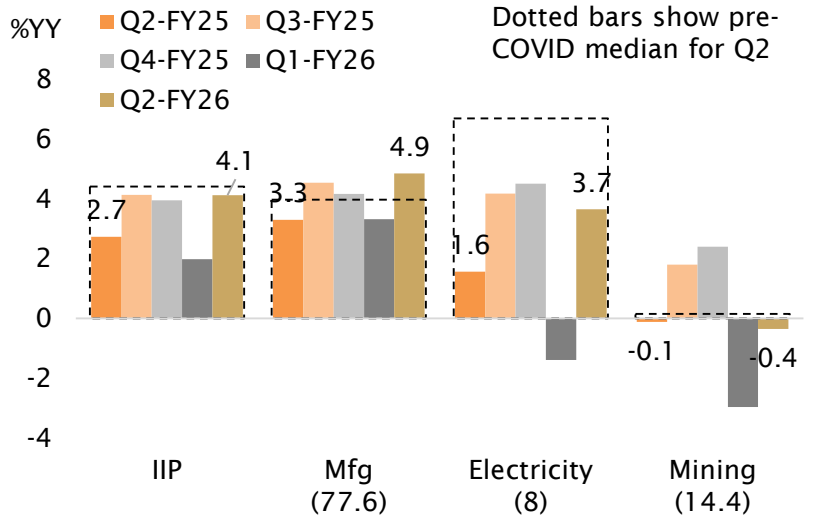
High frequency data indicates improvement in economic activity in Q2-FY26, compared to Q1

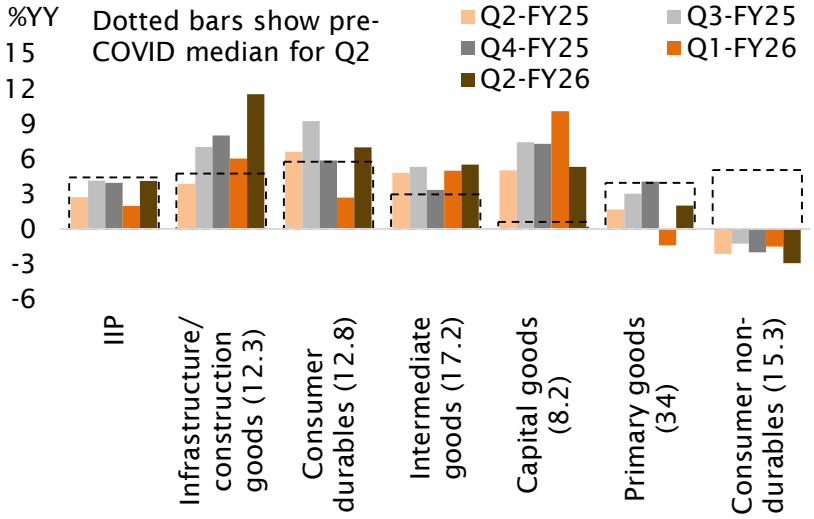
Anecdotal evidence indicates boost to urban demand due to GST rate cuts; PMI data holding well despite some easing





IIP grew 4.1%YY in Q2-FY26, up from 2.0% in Q1 and 2.7% in Q2-FY25; led by manufacturing and construction segments





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)

TRUST
In Partnership With Trust

(%YY, unless mentioned otherwise)		Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25
Agriculture and rural sector	Tractor sales	21.6	7.0	8.4	10.2	7.1	24.6	42.9	
	Tractor registrations	-5.7	7.6	2.8	8.7	11.0	30.1	3.6	
	Two wheeler sales	11.4	-16.8	2.2	-3.4	8.7	7.1	6.7	
	Two-wheeler registrations	-1.8	2.3	7.3	4.7	-6.5	2.2	6.5	
	Three-wheeler registrations	-5.7	24.5	6.3	6.7	0.8	-2.3	-7.2	
	Household work demand under MGNREGA	2.2	-6.5	4.4	4.4	-12.3	-26.2	-27.0	
Industry, construction and urban sector	Industrial production	3.0	2.7	1.2	1.5	3.5	4.0	4.0	
	Core sector output	3.8	0.5	0.7	1.7	2.0	6.3	3.0	
	Cement production	12.2	6.3	9.7	8.2	11.6	5.4	5.3	
	Natural gas production	-4.8	-1.7	-4.1	-3.3	-3.6	-2.7	-4.0	
	Electricity requirement	5.7	2.8	-4.8	-2.3	2.6	3.8	3.5	
	Steel consumption	13.6	6.0	8.1	9.3	7.3	10.0	9.1	
	Fuel consumption	-3.1	0.2	1.1	0.5	-4.4	2.3	7.4	
	Passenger vehicle sales	12.9	5.5	0.8	-6.3	1.5	-9.0	-0.9	
	Passenger vehicle registrations	6.3	1.6	-3.1	2.5	-0.8	0.9	5.8	
	Naukri JobSpeak Index	-1.5	8.9	0.3	10.5	6.8	3.4	10.1	
Services	Commercial vehicle registrations	2.7	-6.9	-3.7	6.6	0.2	8.6	2.7	
	Railway freight traffic	2.9	4.5	3.1	1.2	-0.1	9.0	3.8	
	Port cargo traffic	13.3	7.0	4.4	5.6	4.0	2.6	11.5	
	Toll collection (volume)	11.9	16.6	16.4	15.5	14.8	12.7	4.5	
	Domestic air cargo traffic	4.9	16.6	2.3	2.6	4.8	7.1	2.8	
	International air cargo traffic	3.3	8.6	6.8	-1.2	4.2	4.5	2.3	
	Domestic air passenger traffic	9.9	9.7	2.6	3.7	-2.5	-0.5	-2.5	
	International air passenger traffic	6.7	12.9	5.0	3.4	5.4	7.8	7.2	
	GST e-way bills (total)	20.2	23.4	18.9	19.3	25.8	22.4	21.0	
	GST revenue collection	10.2	12.7	16.4	6.2	7.5	6.5	9.1	
PMI (Index)	PMI Manufacturing	58.1	58.2	57.6	58.4	59.1	59.3	57.7	58.4
	PMI Services	58.5	58.7	58.8	60.4	60.5	62.9	60.9	58.8

DISCLAIMER:

We are committed to providing completely independent views to help our clients reach a better decision. This document is provided for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. Nothing in this document should be construed as investment or financial advice, and nothing in this document should be construed as an advice to buy or sell or solicitation to buy or sell the securities of companies referred to in this document. The intent of this document is not in recommendary nature. The recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. Trust Group has not independently verified all the information given in this document. Accordingly, no representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document. The Company reserves the right to make modifications and alternations to this statement as may be required from time to time without any prior approval. Trust Group, its affiliates, their directors and the employees may from time to time, effect or have effected an own account transaction in, or deal as principal or agent in or for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for, or solicit investment banking or other business from, any company referred to in this report. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting the document. This report has been prepared on the basis of information, which is already available in publicly accessible media or developed through analysis of Trust Group. The views expressed are those of analyst and the Company may or may not subscribe to all the views expressed therein. Neither the Firm, not its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. This document is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied, in whole or in part, for any purpose.

Copyright in this document vests exclusively with Trust Group.

Trust Group
1101, Naman Centre, Bandra Kurla Complex, Bandra (E), Mumbai -400 051, Maharashtra.
Ph: +91 22 4084 5000 • Fax: +91 22 4084 5052 • www.trustgroup.co.in