

IIP growth hit 25-month high in Nov at 6.7%YY, aided by normalization of activity post monsoon and festive season

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Data Highlights

Headline IIP

- Industrial growth surged to 25-month high of 6.7%YY in November from 0.5% in October (initial estimate: 0.4%). The print surpassed market forecasts by a wide margin (Reuters poll: 2.5%). The sequential rise of 4.6% was contrary to historical trend of decline for the month and was aided by favorable base effect. The increased pace of growth could be attributable to (i) shift in festive days vs. 2024 and restocking (ii) normalization of activities post holidays and late withdrawal of rains.

Sectoral indices:

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

- Headline IIP mirrored the trend in heavyweight manufacturing that posted fastest growth in more than two years at 8.0%YY vs. 2.0% in October. Of the 23 sub-sectors, output grew year-on-year in 20, up from nine in October. Mining output rose after falling for two months, aided by seasonality and higher growth in metallic minerals. Electricity output stayed in contraction, albeit at a shallower rate than in October.

- Manufacturing was aided by sequential growth and positive base effect. Mining output rose month-on-month but base effect was unfavorable, while for electricity, positive base effect partly offset monthly decline, so that the annualized fall eased.

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)

- In fiscal year-to-date (FYTD) terms, IIP grew 3.3%YY vs. 4.2% in Apr-Nov FY25. The drag from electricity and mining offset higher manufacturing growth in FYTD FY26.

- By type of goods, there was broad-based increase in output. Infrastructure and capital goods posted double-digit year-on-year growth. Production of primary goods, consumer durables and non-durables rebounded after declining in October. Intermediate goods output growth was the strongest in 21 months. Both base effects and month-on-month momentum were positive across types of goods, except for consumer non-durables where base effect was negative.

- In FYTD terms, year-on-year production growth improved in Apr-Nov FY26 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 Apr-Nov 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 strong in December at 6.2% (median) – 6.5% (average). Though base effect is slated to be negative, IIP growth is likely to remain firm at more than 6% in December. Beyond the festive season, consumption boost from tax cuts, and also the salary hikes for central government employees under the eighth pay commission are expected to support domestic demand, and therefore, production.
- **Signals from high frequency data:** Various metrics of economic activity indicate that not only is rural activity holding well, but urban demand has also started to pick up. Data for November shows surge in tractor and two-wheeler sales, and continued decline in work demand under MGNREGA. On the urban front, passenger vehicle sales posted double-digit year-on-year growth for second straight month and air passenger traffic growth was firm. The Naukri JobSpeak Index increased by more than 20%YY. Data related to construction activity was strong, with cement output and steel consumption increasing at faster rates than in October.
- **Insights from survey data:** The latest RBI survey corroborates improvement in urban demand amid increase in consumer confidence. In another survey data, initial estimates show moderation in composite PMI to ten-month low of 58.9 in December. The slower pace of expansion in new orders was offset by higher growth in export orders. Both manufacturing and services indices eased but stayed above the neutral mark of 50. The softening of business confidence in services sector dragged overall optimism to the lowest since Jul-2022.
- **Support from public capex:** In Apr-Nov FY26, the Central Government's capex was at 59% of BE, suggesting room to spend in the remainder of FY26. This augurs well for infrastructure-related segments within the IIP.
- **US-India trade deal:** The prolonged negotiations between the US and India to strike a trade deal continue to cloud the outlook for India's external sector and also the domestic industry. But some recent developments offer a glimmer of hope. Latest goods trade data for November shows that share of the US in India's imports exceeded that of Russia. Also, India recently announced reforms that would simplify import quality checks through technology-driven systems, reduced paperwork, shorter timelines, and fewer inspections. These steps could assuage some of the longstanding US concerns and accelerate the process of signing a deal.
- **Policy implication:** The IIP data tends to be volatile and relatively less reliable in drawing inferences from monetary policy perspective. In October, the headline IIP print dipped to 14-month low before rebounding to 25-month high in November. While this also reflects the impact of shift in festive days in 2025 vs. 2024, accounting for the same shows that average IIP growth of 3.9%YY in Sep-Nov FY26 was largely in line with 4.0% growth in the same months of FY25. The RBI MPC is scheduled to meet between Feb 4-6. To understand the trends in economic activity, the committee would mainly take cues from the first advance estimate of GDP for FY26 that is slated for release on Jan 7. Minutes of the latest meeting suggest that the MPC is likely to be data dependent in its approach after having delivered 125bp cumulative rate cuts in the current easing cycle.

Industrial growth surged to 25-month high in Nov at 6.7%YY

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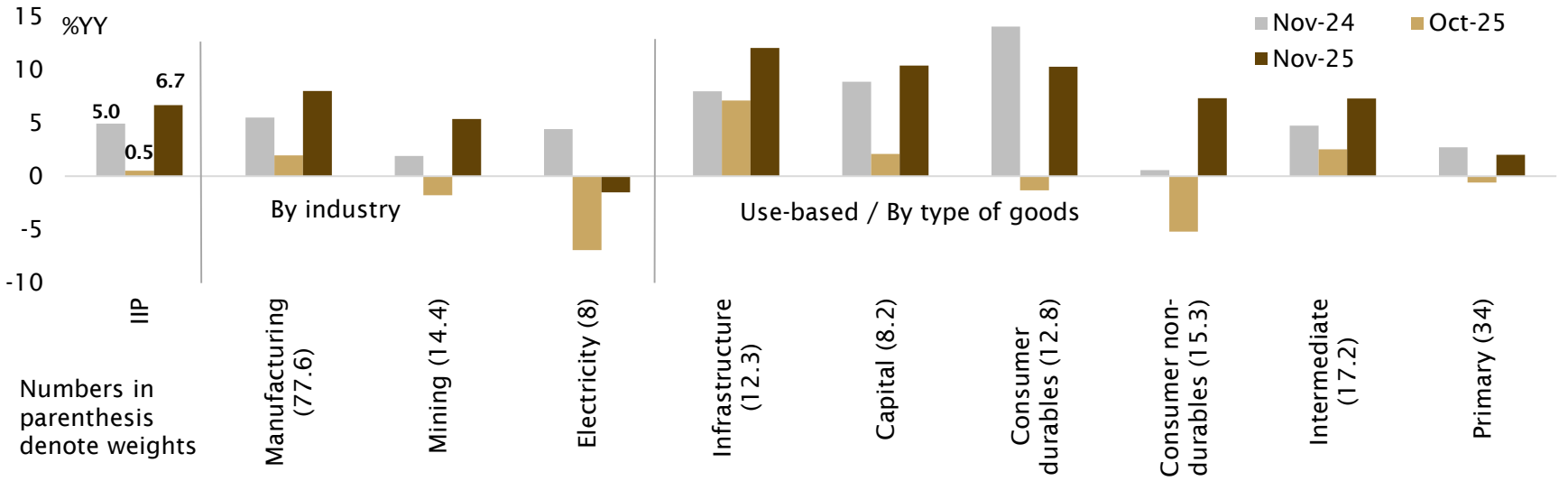
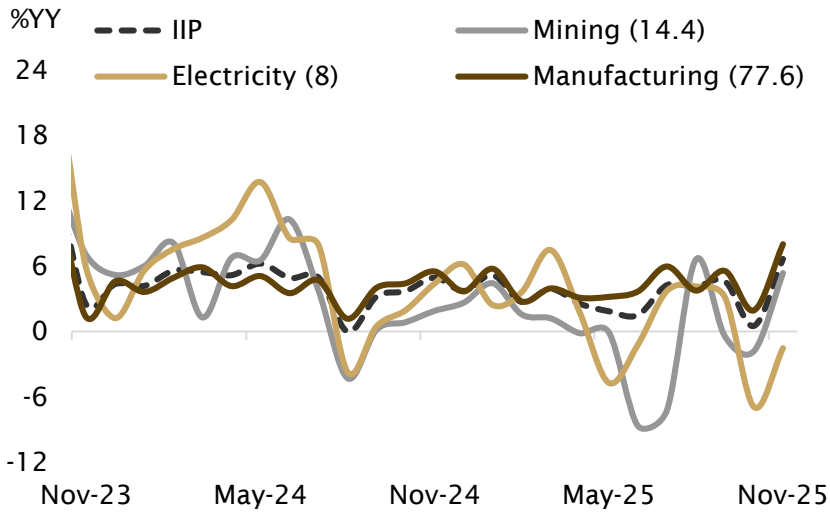
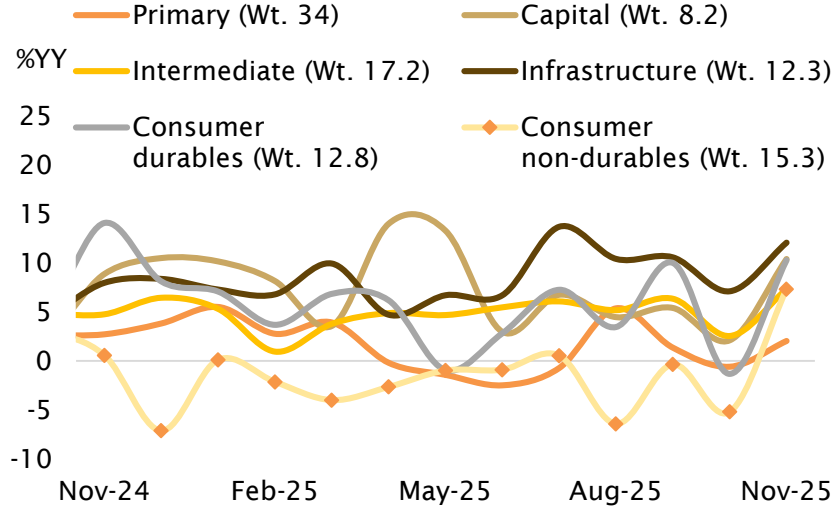
Industrial output growth was driven by manufacturing amid broad-based improvement in growth by types of goods



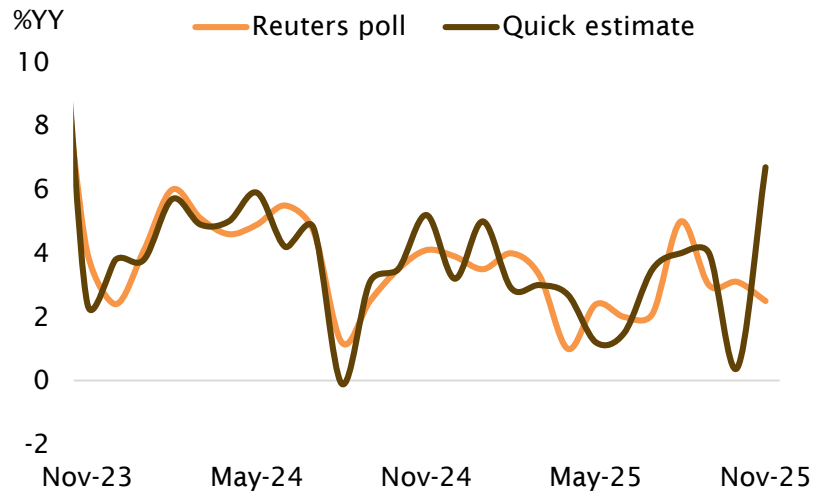
Manufacturing output rose 8%YY; consumer durables, capex-related segments posted double-digit year-on-year growth





Both favorable base effect and positive sequential momentum lifted year-on-year growth in industrial output

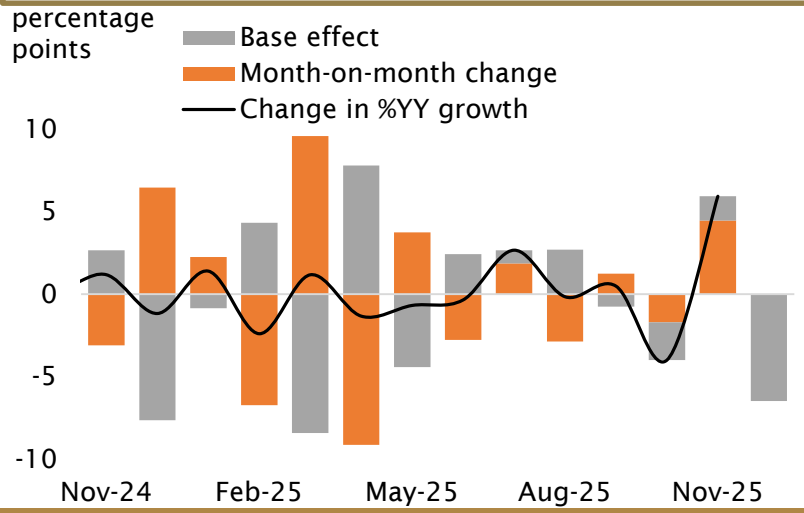
IIP growth surpassed market estimates; momentum turned positive in both seasonally and non-seasonally adjusted terms

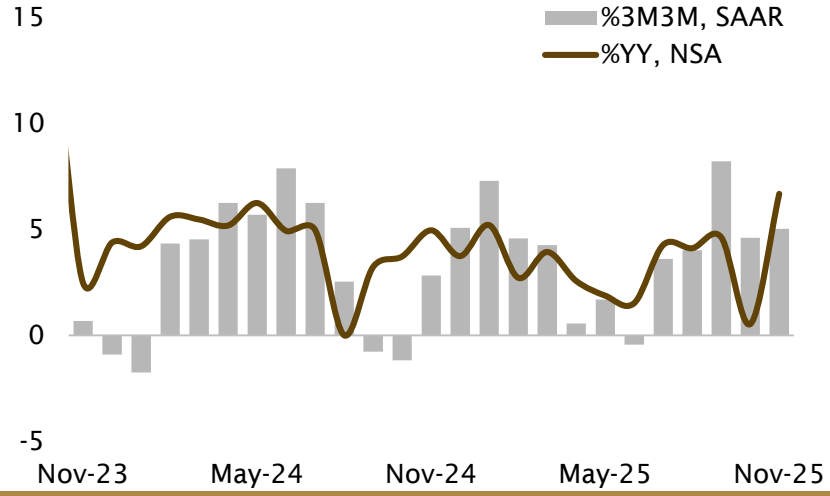


%YY	Weight	Sep-25	Oct-25	Nov-25
Industrial production	100.0	4.6	0.5	6.7
Sector-based classification				
Mining	14.4	-0.4	-1.8	5.4
Electricity	8.0	3.1	-6.9	-1.5
Manufacturing	77.6	5.6	2.0	8.0
Use-based/type of goods				
Primary goods	34.0	1.3	-0.6	2.0
Capital goods	8.2	5.4	2.1	10.4
Intermediate goods	17.2	6.3	2.5	7.3
Infra. /construction	12.3	10.6	7.1	12.1
Consumer durables	12.8	10.0	-1.3	10.3
Consumer non-durables	15.3	-0.3	-5.2	7.3

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 Nov was contrary to historical trend of sequential decline during the month





Fiscal year-to-date industrial growth below historical trends

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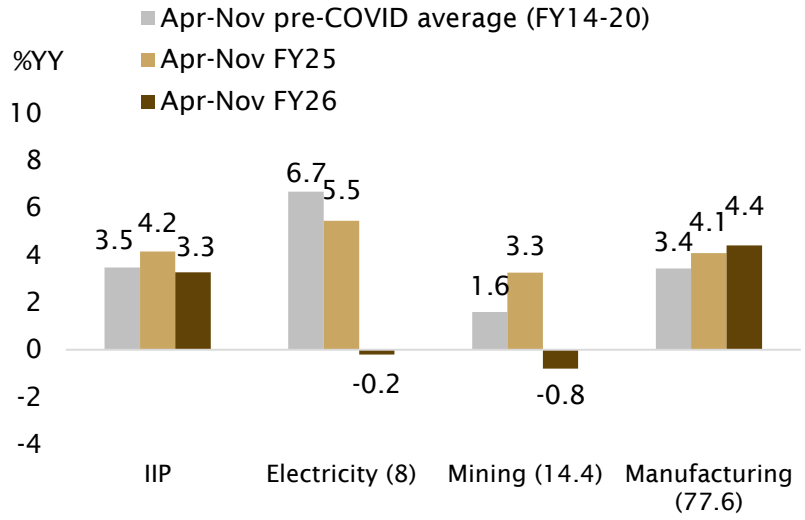
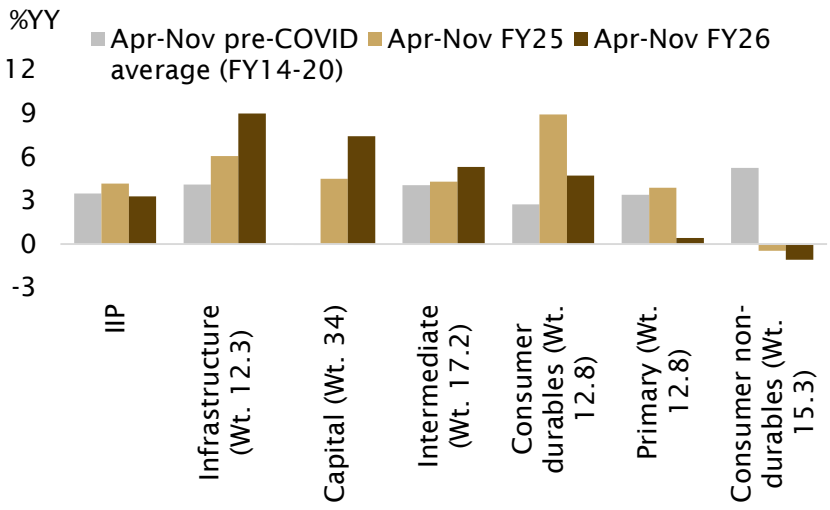
Fiscal year-to-date industrial growth below past trends; even as manufacturing, capex-related segments performed better





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

(percentage points)	Nov-25	Nov-24	FYTD	FY26	FY25	FY26 vs pre-pandemic average (FYTD)	
Basic metals (12.8)	1.69	1.17	Basic metals (12.8)	1.68	1.08	Basic metals (12.8)	0.71
Motor vehicles, trailers, etc. (4.9)	0.74	0.38	Motor vehicles, trailers, etc. (4.9)	0.59	0.25	Motor vehicles, trailers, etc. (4.9)	0.51
Pharmaceuticals (5)	0.67	0.19	Electrical equipment (3)	0.49	0.89	Electrical equipment (3)	0.47
Other non-metallic mineral pdts. (4.1)	0.62	0.40	Machinery, equipment (4.8)	0.33	0.11	Fabricated metal pdts. (2.7)	0.24
Electrical equipment (3)	0.61	1.39	Other non-metallic mineral pdts. (4.1)	0.31	0.12	Machinery, equipment (4.8)	0.23
Furniture (0.1)	0.02	0.07	Beverages (1)	-0.04	0.04	Coke, petroleum pdts. (11.8)	-0.13
Leather, related pdts. (0.5)	0.01	-0.02	Food products (5.3)	-0.06	-0.08	Wearing apparel (1.3)	-0.20
Beverages (1)	-0.02	-0.02	Recorded media (0.7)	-0.08	-0.04	Food products (5.3)	-0.31
Recorded media (0.7)	-0.05	-0.02	Other manufacturing (0.9)	-0.13	-0.08	Chemicals (7.9)	-0.36
Wearing apparel (1.3)	-0.25	0.32	Chemicals (7.9)	-0.14	0.23	Pharmaceuticals (5)	-0.75

High frequency data indicates improved economic activity in Q3-FY26, enabled by festive season and GST rate cuts

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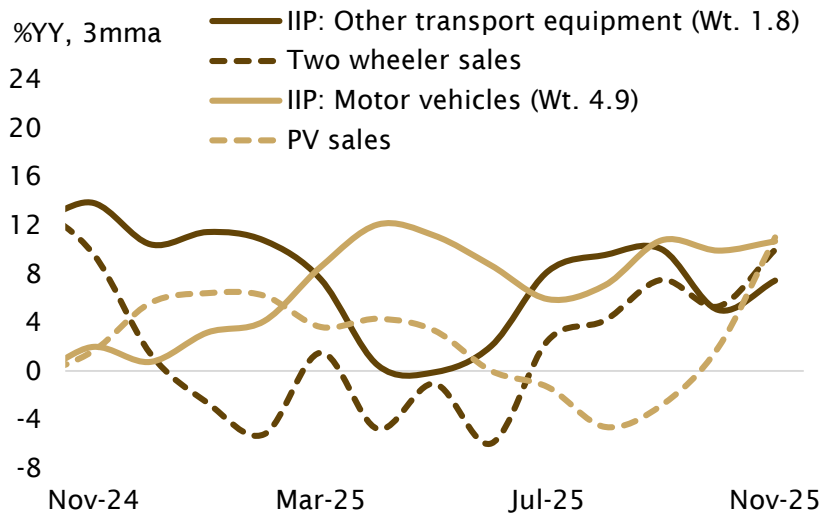
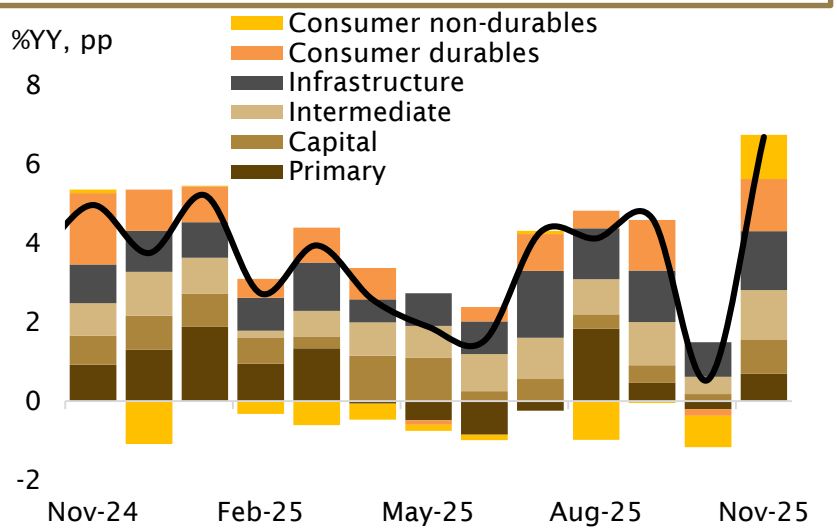
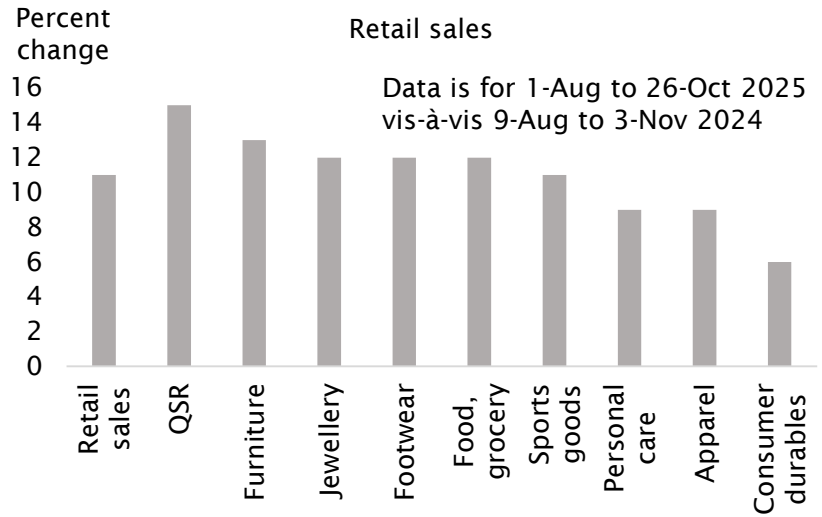
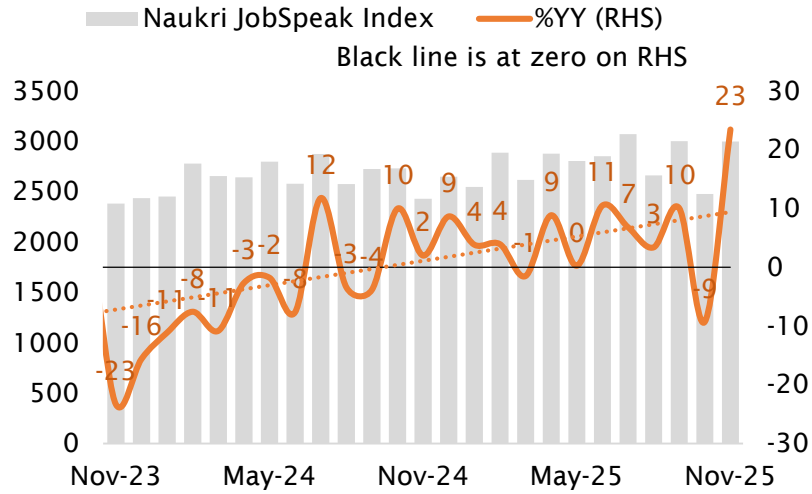
PV sales show urban demand picking up; both consumer durables and non-durables contributed to IIP growth in Nov





Retail sales were strong during and ahead of festive season; pick up in white collar hiring bodes well for consumption





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)		May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25
Agriculture and rural sector	Tractor sales	8.4	10.2	7.1	24.6	42.9	14.4	30.3	
	Tractor registrations	2.8	8.7	11.0	30.1	3.6	14.2	56.5	
	Two wheeler sales	2.2	-3.4	8.7	7.1	6.7	2.1	21.2	
	Two-wheeler registrations	7.3	4.7	-6.5	2.2	6.5	51.8	-3.1	
	Three-wheeler registrations	6.3	6.7	0.8	-2.3	-7.2	5.4	23.7	
	Household work demand under MGNREGA	4.4	4.4	-12.3	-26.2	-27.0	-35.1	-32.0	
Industry, construction and urban sector	Industrial production	1.2	1.5	3.5	4.0	4.0	0.4	6.7	
	Core sector output	0.7	1.7	2.0	6.3	3.0	0.0	1.8	
	Cement production	9.7	8.2	11.6	5.4	5.0	5.2	14.5	
	Natural gas production	-4.1	-3.3	-3.6	-2.7	-4.0			
	Electricity requirement	-4.8	-2.3	2.6	3.8	3.5	-5.8	-0.6	
	Steel consumption	8.1	9.3	7.3	10.0	8.9	4.7	7.1	
	Fuel consumption	1.1	0.5	-4.4	4.8	7.6	-0.4	3.0	
	Passenger vehicle sales	12.9	-6.3	1.5	-9.0	-0.9	15.8	18.1	
	Passenger vehicle registrations	-3.1	2.5	-0.8	0.9	5.8	10.7	19.7	
	Naukri JobSpeak Index	0.3	10.5	6.8	3.4	10.1	-9.3	23.5	
Services	Commercial vehicle registrations	-3.7	6.6	0.2	8.6	2.7	21.1	19.9	
	Railway freight traffic	3.1	1.2	-0.1	9.0	3.8	3.3	4.8	
	Port cargo traffic	4.4	5.6	4.0	2.6	11.5	11.9	14.7	
	Toll collection (volume)	16.4	15.5	14.8	12.7	4.5	4.6	2.9	
	Domestic air cargo traffic	2.3	2.6	4.8	7.1	2.8	-2.3	20.5	
	International air cargo traffic	6.8	-1.2	4.2	4.5	2.3	-2.3	12.7	
	Domestic air passenger traffic	2.6	3.7	-2.5	-0.5	-2.5	3.5	7.0	
	International air passenger traffic	5.0	3.4	5.4	7.8	7.2	9.7	7.5	
	GST e-way bills (total)	18.9	19.3	25.8	22.4	21.0	8.2	27.6	
	GST revenue collection	16.4	6.2	7.5	6.5	9.1	4.6	0.7	6.1
PMI (Index)	PMI Manufacturing	57.6	58.4	59.1	59.3	57.7	59.2	56.6	55.7
	PMI Services	58.8	60.4	60.5	62.9	60.9	58.9	59.8	59.1

Source: National Statistical Offices, Bloomberg, Refinitiv

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