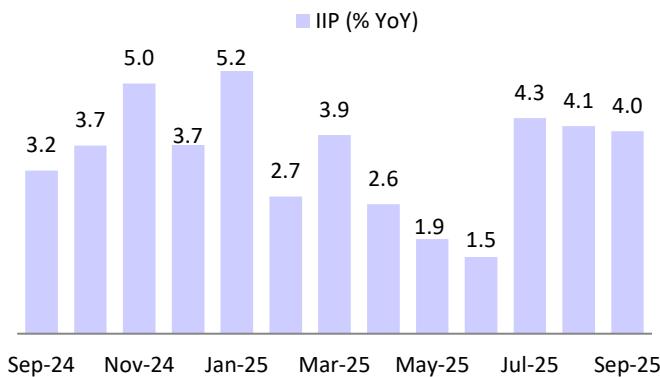


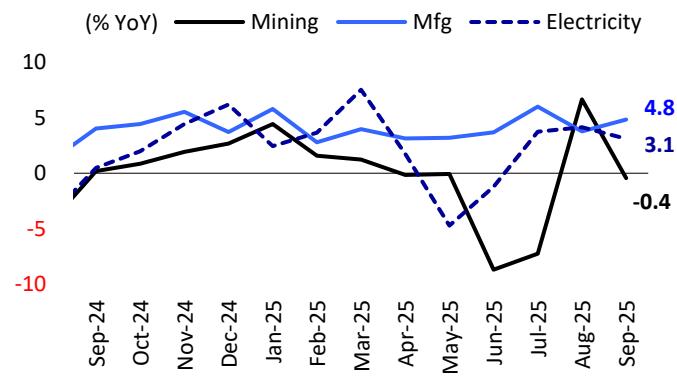
## Sep'25 IIP: Better than expected; led by manufacturing

- In Sep'25, IIP growth remained almost unchanged at 4% YoY vs. Aug'25, led by the manufacturing sector. Electricity and mining output contracted (due to monsoon).
- IIP performed better than expectations in Sep'25, despite the seasonally weak Shraadh period and ongoing tariff-related uncertainty weighing on external demand.
- Manufacturing output grew 4.8% in Sep'25, higher than 3.8% YoY in Aug'25. The details of the manufacturing sector suggest that 33% of the sub-sectors contracted in Sep'25, lower than 44% in Aug'25.
- Among manufacturing segments, 13 out of 23 industry groups recorded an increase in output, with the highest growth seen in the manufacture of basic metals, followed by electrical equipment and motor vehicles, trailers, and semi-trailers.
- Among export-oriented segments, textiles grew 1.2% in Sep'25 after posting two consecutive contractions in Aug'25 and Jul'25. Leather and related products grew 2.1% in Sep'25, marking the first expansion after 12 months. However, wearing apparel contracted.
- On a use-based classification, investment goods output remained robust, reflecting sustained capex momentum. In contrast, consumer goods output showed a mixed trend, with a recovery from previous contractions. Notably, consumer durables output grew at a 10-month high of 10.5% YoY in Sep'25 (while consumer non-durables output continued to contract), aided by GST rationalization measures and a demand boost driven by the festive season.
- IIP growth picked up in recent months, with 2QFY26 growth at 4.1%, higher than 2% in 1QFY26.
- Industrial activity is expected to remain steady in the coming months, supported by robust government capex, easing inflation, and the positive impact of GST rationalization on consumer demand. Investment-driven sectors are likely to sustain their momentum, while consumer goods may see a gradual improvement as rural demand recovers. Some pressure from weak exports and global trade frictions may persist, but the overall industrial outlook remains stable.

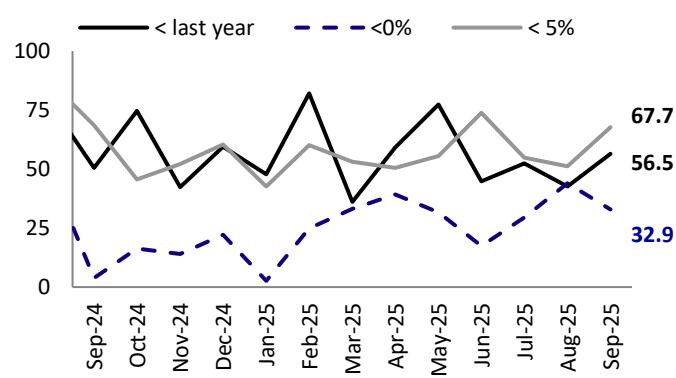
**Exhibit 1: IIP growth remained unchanged at 4% YoY in Sep'25...**



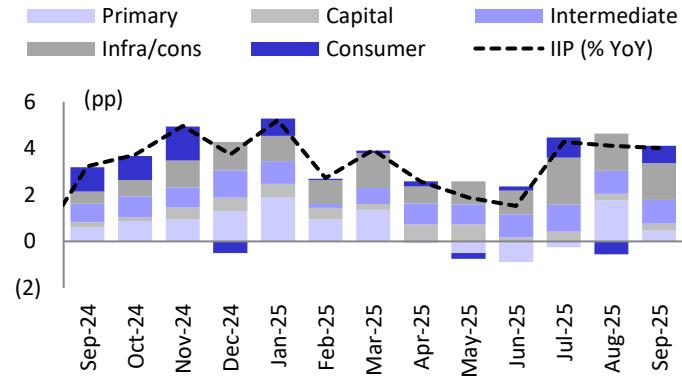
**Exhibit 2: ...mainly driven by an uptick in the manufacturing sector growth**



**Exhibit 3: 33% of the manufacturing sector contracted in Sep'25, lower than 44% in Aug'25**



**Exhibit 4: Investment goods output remained robust, while consumer goods showed a recovery**



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Source: CSO, MOFSL

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## Data highlights

- Industrial output growth remained unchanged at 4% YoY in Sep'25 (vs. 4.1%/3.2% in Aug'25/Sep'24), despite the seasonally weak Shraadh period and tariff-related uncertainties. (Exhibit 1). IIP growth was mainly supported by acceleration in manufacturing sector growth, which was offset by contraction in the mining sector growth and moderation in electricity sector output. IIP growth picked up in recent months, with 2QFY26 growth at 4.1%, higher than 2% in 1QFY26.
- Manufacturing output grew 4.8% in Sep'25, higher than 3.8% in Aug'25 (Exhibit 2). The details of the manufacturing sector suggest that 33% of the sub-sectors contracted in Sep'25, lower than 44% in Aug'25. (Exhibit 3). Among manufacturing segments, 13 out of 23 industry groups recorded an increase in output, with the highest growth seen in the manufacture of basic metals, followed by electrical equipment and motor vehicles, trailers, and semi-trailers.
- Among export-oriented segments, textiles grew 1.2% in Sep'25 after posting two consecutive contractions in Aug'25 and Jul'25. Leather and related products grew 2.1% in Sep'25, marking the first expansion after 12 months. However, wearing apparel contracted.
- Mining output contracted 0.4% (compared to an increase of 6.6% in Aug'25), led by monsoon. Electricity output growth moderated to 3.1% (against 4.1% in Aug'25). (Exhibits 1 and 2).
- According to the use-based classification, investment goods output remained robust, reflecting sustained capex momentum. In contrast, consumer goods output showed a mixed trend, with a recovery from previous contractions.
- Infrastructure and construction goods posted a strong performance, with output rising 10.5% in Sep'25, up from 10.4% in Aug'25. Even capital goods output remained robust. Meanwhile, the output of consumer non-durable goods declined 2.9% in Sep'25, marking the eighth consecutive month of contraction. In contrast, consumer durables posted 10.2% in Sep'25, marking the highest growth in 10 months. (Exhibit 4).

**Outlook:** Industrial activity is expected to remain steady in the coming months, supported by robust government capex, easing inflation, and the positive impact of GST rationalization on consumer demand. Investment-driven sectors are likely to sustain their momentum, while consumer goods may see a gradual improvement as rural demand recovers. Some pressure from weak exports and global trade frictions may persist, but the overall industrial outlook remains stable.

**Exhibit 5: Key components of IIP**

% YoY	Weight	FY24	FY25	FY25#	FY26#	Sep'24	Jul-25	Aug-25	Sep'25
<b>Industry-based classification</b>									
Mining	14.4	7.5	3.0	3.9	(1.7)	0.2	(7.2)	6.6	(0.4)
Manufacturing	77.6	5.5	4.1	3.8	4.1	4.0	6.0	3.8	4.8
Electricity	8.0	7.1	5.3	6.2	1.1	0.5	3.7	4.1	3.1
IIP	<b>100.0</b>	<b>5.9</b>	<b>4.1</b>	<b>4.1</b>	<b>3.1</b>	<b>3.2</b>	<b>4.3</b>	<b>4.1</b>	<b>4.0</b>
<b>Use-based classification</b>									
Primary Goods	34.0	6.1	3.9	4.3	0.3	1.8	(0.7)	5.4	1.4
Capital Goods	8.2	6.3	5.7	4.0	7.7	3.5	6.8	4.5	4.7
Intermediate Goods	17.2	6.3	4.2	4.2	5.3	4.3	6.1	5.2	5.3
Infrastructure/Construction	12.3	9.7	6.7	6.0	8.8	3.5	13.7	10.4	10.5
Consumer Goods	28.2	3.9	2.3	2.7	0.8	3.9	3.4	(2.1)	2.8
Durable Goods	12.8	3.6	8.1	8.6	4.8	6.3	7.3	3.5	10.2
Non-Durable Goods	15.3	4.1	(1.4)	(1.2)	(2.2)	2.2	0.5	(6.4)	(2.9)

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