

Industrial growth holds steady at 4% in Sep'25

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The **Index of Industrial Production (IIP)** is an index number published monthly that measures industrial production growth (annual) compared to a base year (Currently 2011-12) which helps policymakers to gauge the health of various industry segments.

- 1. Industrial Production (IIP):** India's industrial activity maintained moderate momentum in September recording a Y-o-Y growth of 4.0%, unchanged from the quick estimates for Aug'25. The overall expansion was primarily supported by healthy growth of manufacturing sector (4.8%) and electricity generation (3.1%), while mining registered a slight contraction (-0.4%).

- 2. Sector-wise Growth (y/y%):** (Growth over the corresponding period of previous year in %)

Sector	Jan 25	Feb 25	Mar 25	Apr 25	May 25	Jun 25	Jul 25	Aug 25	Sep 25	Remarks
Manufacturing	5.8	2.8	3.0	3.1	3.2	3.7	6.0	3.8	4.8	<ul style="list-style-type: none"> ✓ grew by 4.8% ✓ Driven by strong performance in manufacturing of basic metals (12.3%), electrical equipment (28.7%) and motor vehicles, trailers and semi-trailers" (14.6%).
Mining	4.4	1.6	0.4	-0.2	-0.1	-8.7	-7.2	6.6	-0.4	<ul style="list-style-type: none"> ✓ de- growth of (-)0.4% ✓ reasons may be due to operational disruptions like heavy and unseasonal rainfall/ water logging.
Electricity	2.4	3.6	6.3	1.7	-4.7	-1.2	3.7	4.1	3.1	<ul style="list-style-type: none"> ✓ grew by 3.1% ✓ indicating a slowdown in power generation momentum.

- 3. Comparative Analysis: IIP Growth vs. Bank Credit Growth vs. Core infrastructure industries Growth (FY26)**

The correlation analysis based on the table given below reveals and suggest the trend of bank credit growth vs IIP growth and growth in core infrastructure segments:

Months	Sep 24	Oct -24	Nov- 24	Dec- 24	Jan- 25	Feb- 25	Mar- 25	Apr- 25	May- 25	Jun- 25	Jul- 25	Aug- 25	Sep-25
IIP growth % (YoY)	3.1	3.7	5.	3.5	5.2	2.7	3.0	2.6	1.9	1.5	4.03	4.1	4
Gross Bank Credit to Industry growth % (YoY)	9.1	8	8.1	7.4	8.2	7.3	8	6.7	4.9	5.5	6	6.5	NA
Core industries growth % (YoY)	2.4	3.8	5.8	5.1	5.1	3.4	4.5	1	1.2	2.2	3.7	6.5	3.0

Particulars	correlation	Remarks
IIP growth & bank credit growth	0.51	IIP growth did not drive bank credit growth. Industry credit growth was only 6.9% compared to overall bank credit growth of 11% y/y
IIP growth and core sector growth	0.77	Strong relationship
Bank credit growth & core sector growth	0.39	Weak correlation supported by the fact that overall bank lending to infrastructure is also weak

4. Implications of September 2025 IIP data on Various Macro Economic Indicators:

Indicators	Implications
GDP Growth	<ul style="list-style-type: none"> ✓ The moderate IIP supports FY26 GDP forecasts of 6.5-7.0%, acting as a stabilizer rather than accelerator, given industry's 28% GDP weight ✓ IIP data reinforces a broad-based recovery, October data which includes festive season impact will provide further cues.
Inflation Dynamics	<ul style="list-style-type: none"> ✓ Moderate IIP growth aids in maintaining stability in inflationary trends, with September CPI at 1.54% (food deflation at -2.28%, core at 4.6%) and within RBI's 2-6% band.
Employment and Labor Market	<ul style="list-style-type: none"> ✓ Steady industry growth bodes well for job creation. ✓ Manufacturing's broad-based gains signal hiring in segments like electronics and machinery. ✓ Steady industry growth supports incremental job addition of ~2-3 million in H2, aiding overall EPFO payroll growth (projected 8-10%),
Policy Implications	<p>Monetary Policy: Steady IIP numbers imply growth remains less of a concern which enables RBI' to shift the focus towards inflation while liquidity conditions are also supportive. December MPC may keep a watch over the likely trajectory of H2 inflation as well as trade deal developments to decide on the feasibility or otherwise of a cut in repo.</p> <p>Fiscal Policy: Strong momentum in IIP will augment corporate tax collections which aids in fiscal consolidation with a deficit target of 4.4% GDP. Despite rate cuts, GST collections for Sep'25 was also robust at Rs 1.86 lakh crore.</p>



Economic Research Section

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