

## Industrial Production eased slightly to 4% in Aug'25 from 4.3% in Jul'25

29th Sep, 2025

The **Index of Industrial Production (IIP)** is a monthly economic indicator that measures the performance of Industrial Sectors of the Indian Economy, indicates how much industrial production has grown or declined compared to a base year (Currently 2011-12), to track the short-term changes in the volume of Industrial Output which helps the government, economists, investors and analysts to gauge the health of the industrial sector.

- **Industrial Production (IIP)** growth rate for Aug 2025 stood at 4.0 % from 4.3% in July 2025 YoY basis, primarily boosted by a strong performance in the mining sector and a surge in infrastructure/construction goods.
- **Overall IIP index:** The quick estimate of the IIP for Aug 2025 stood at 151.7, lower than 156.2 in Jul'25.
- **Sector-wise Growth:** (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(QE)
Manufacturing	5.8	2.8	3.0	3.1	3.2	3.7	6.0	3.8
Mining	4.4	1.6	0.4	-0.2	-0.1	-8.7	-7.2	6.0
Electricity	2.4	3.6	6.3	1.7	-4.7	-1.2	3.7	4.1

**Manufacturing:** This sector registered slowdown and output grew by 3.8% in Aug'25 compared to the revised figure of 6.0% in July 2025.

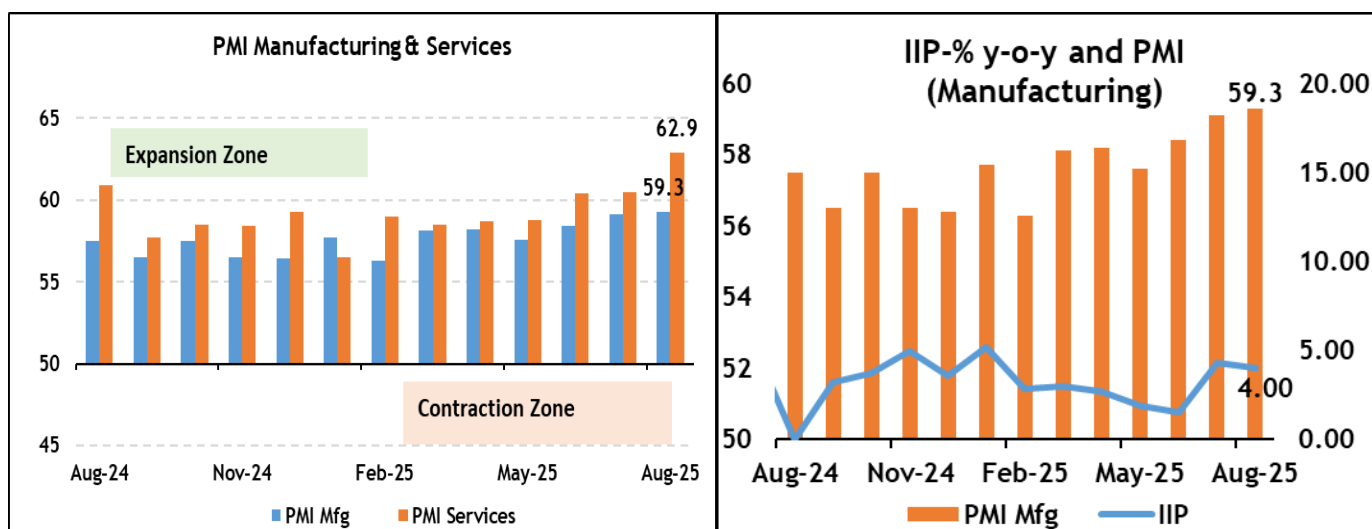
**Mining:** This sector recorded the highest growth at 6.0%, marking a significant rebound after four consecutive months of contraction.

**Electricity:** Electricity output grew 3.7% in Jul'25(revised) and further strengthened to 4.1% in Aug'25 reflecting improved power demand.

- **Sector Indices:** Mining:113.5, Manufacturing:151.6 & Electricity:221.1
- **Manufacturing sector insights:** Out of 23 industry groups, 10 recorded positive growth in Aug 2025 compared to Aug 2024. Top positive contributors in Aug 2025 are Manufacture of basic metals (12.2%), Manufacture of coke and refined petroleum products (5.4%) & Manufacture of motor vehicles, trailers and semi-trailers (9.8%).
- In Aug 2025, under the **use-based classification** of the index of IIP revealed divergence in industrial momentum, driven primarily by strong investment related demand alongside a contraction in non-essential consumer goods. Top Contributors are Infrastructure/Construction Goods index saw significant surge of 10.6% reflects continued strong public capital expenditure and investment in

infrastructure projects. Primary goods stood at 5.2% indicating strong rebound, reversing the previous month contraction, driven by higher mining and electricity output. Intermediate Goods index stood at 5.0% indicating sustained moderate growth indicating steady input demand for other industries. Capital goods saw a positive growth of 4.4% indicating moderate expansion, suggesting steady but cautious corporate investment and capacity expansion. Consumer durable index showed (3.5%) slowed compared to the previous month, but still positive however consumer non-durables showed significant contraction (-6.3%), the worst performance, likely due to subdued demand, particularly in price sensitive and rural markets.

- **India's manufacturing sector** gained further momentum in August, with the country's Manufacturing Purchasing Managers' Index (PMI) climbing to **59.3 from 59.1** in July largely driven by an acceleration in production volumes. India's HSBC Services PMI was recorded at **62.5** in August 2025, a slight downward revision but still indicating strong growth and marking the highest expansion since June 2010. This robust expansion was driven by a surge in new orders and output, while employment rose moderately. Despite facing higher input costs, firms also saw a record increase in selling price.



## Implications:

- The 4% IIP growth for Aug'25 driven by strong mining and supportive manufacturing (especially basic metals and automobiles), suggests a healthier environment for banks as industrial activity picks up.
- Expectation is rebound in coming months driven by festive demand and GST cut will improve the performance of Consumer durable index, slowed to 3.5% in Aug'25 from 7.3% in Jul'25.
- Opportunities for Banks in Infrastructure/Construction are likely growing as data indicates significant surge of 10.6% indicating increased demand driven by Government projects. Bank may capitalize on this by financing on these projects and related businesses as the sector strong performance signals continued activity and investment potential.

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