India's industrial output growth at 23-month high of 7.3% in June

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India’s industrial output growth surged to a 23-month high of 7.3 per cent in June, up from a downwardly revised 5 per cent in May, driven by a favourable base effect and broad-based acceleration across all four major sectors, according to data released by the National Statistics Office (NSO) on Tuesday.

The headline Index of Industrial Production (IIP) stood at 123.1 in June, up from 114.7 a year earlier. All four broad sectors — mining and quarrying, manufacturing, electricity and gas supply, and water supply, sewerage and waste management — recorded positive growth during the month.

Manufacturing output posted the sharpest improvement, accounting for most of the acceleration in headline IIP growth. Growth in the sector rose to 7.8 per cent in June from 5.2 per cent in May. “Manufacturing output growth, in particular, saw a sharp uptick in June, contributing as much as 199 basis points of the 235 basis point increase in IIP growth relative to May,” said Aditi Nayar, chief economist at Icra.

Within manufacturing, 19 of the 23 industry groups recorded positive growth compared with a year earlier. Electrical equipment led the gains with a 34 per cent expansion, followed by motor vehicles, trailers and semi-trailers (17.5 per cent) and food products (10.8 per cent). The four industry groups that contracted were petroleum products, chemical products, wearing apparel, and wood products.

According to Megha Arora, director at India Ratings & Research (Ind-Ra), positive growth across 19 sectors indicates that the industrial recovery is gradually broadening.

Electricity and gas supply grew 10.6 per cent in June, compared with 10.3 per cent in May, remaining the fastest-growing segment. Within the sector, electricity generation from renewable sources increased 7.3 per cent, while non-renewable generation rose 13 per cent. The electricity sub-component expanded 11.4 per cent.

Water supply, sewerage and waste management grew 6.1 per cent, up from 5.5 per cent in May. Mining and quarrying returned to positive territory with 1 per cent growth after contracting 1.4 per cent in the previous month.

Under the use-based classification, four of the six segments, excluding capital goods and consumer durables, recorded faster growth than in May.

Capital goods output expanded in double digits for the third consecutive month, rising 14.2 per cent, while infrastructure and construction goods output grew 7.5 per cent.

“This suggests investment activity remained robust during the month, benefiting from the easing of tensions in West Asia as well as the large rainfall deficit in June, which provided a longer window for activity,” Nayar said.

Intermediate goods output grew 9.3 per cent and primary goods 4.9 per cent. Consumer non-durables output rose 4.9 per cent, its fastest pace in six months, while consumer durables output grew 7.7 per cent.

IIP growth improved to 5.8 per cent in the first quarter of FY27 from 3.4 per cent in the corresponding period of the previous year. “While higher volume growth augurs well, margin compression owing to higher input costs is expected to constrain industrial GVA growth in the quarter,” Nayar noted.

Looking ahead, the prospect of a below-normal monsoon threatens rural consumption and could add to inflationary pressures, according to Vikrant Chaturvedi, associate director at Brickwork Ratings.