India's Industrial Output Surges 7.3%, Signalling Broad-based Recovery

India's industrial output expanded 7.3 per cent year-on-year in June 2026, driven by a broad-based recovery in manufacturing, higher electricity generation and improvement across investment-linked segments, according to data released by the Ministry of Statistics and Programme Implementation (MoSPI) on Tuesday.

The growth in the Index of Industrial Production (IIP) was higher than the 5.1 per cent expansion recorded in May 2026 and 2.2 per cent growth in June 2025. The latest print also exceeded market expectations of around 5.6 per cent.

Analysts attributed the improvement to stronger manufacturing activity, resilient domestic demand and continued investment momentum, although they cautioned that uneven rainfall, commodity prices and global uncertainties remain key risks.

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Manufacturing Leads Growth

Manufacturing, which accounts for nearly three-fourths of the IIP weight, emerged as the key contributor to industrial expansion, growing 7.8 per cent in June compared with 5.2 per cent in May and 2.4 per cent during the same period last year.

Aditi Nayar, Chief Economist at Icra, said the increase in manufacturing output was responsible for a significant share of the rise in overall industrial growth. She estimated that manufacturing contributed 199 basis points (bps) of the 235 bps increase in IIP growth between May and June.

The improvement was also spread across industries, with 19 of the 23 manufacturing groups recording year-on-year growth in June. Megha Arora, Director at India Ratings & Research, said the wider improvement across industries suggested that the industrial recovery was "slowly finding its feet and getting generalised".

Electrical equipment manufacturing recorded the strongest growth among manufacturing categories, rising 34 per cent during the month. Production of motor vehicles, trailers and semi-trailers increased 17.5 per cent, while food product manufacturing grew 10.8 per cent.

Investment Activity Supports Output

The use-based classification of industrial goods showed continued strength in investment-related segments. Capital goods production increased 14.2 per cent in June, followed by intermediate goods at 9.3 per cent and infrastructure and construction goods at 7.5 per cent.

Shashwat Singh, Fundamental Analyst at Bajaj Broking, said the improvement reflected stronger activity across investment-linked industries, including capital goods, engineering products, automobiles and electrical equipment.

"India's Index of Industrial Production (IIP) accelerated to 7.3 per cent year-on-year in June 2026, significantly higher than both the 5 per cent growth recorded in the previous month and the market expectation of 5.6 per cent. The sharp uptick reflects broad-based strength in industrial activity, supported by improving manufacturing output, resilient domestic demand, and sustained momentum in investment-led sectors," Singh said.

He added that the latest data indicated improving business activity and supported confidence in India's industrial outlook.

Aditi Nayar said the rise in capital goods output pointed towards continued investment activity, supported by easing tensions in West Asia and an extended period of economic activity due to delayed rainfall during June.

Power Sector Adds Momentum

The electricity and gas supply segment recorded a 10.6 per cent growth in June, supported by higher electricity generation. Electricity output increased 11.4 per cent year-on-year, with non-renewable power generation rising 13 per cent during the month.

Economists at Barclays said electricity generation from coal-based sources improved as hydropower output moderated due to lower reservoir levels.

The mining and quarrying sector also returned to growth, expanding 1 per cent in June after contracting 1.4 per cent in May. Metallic minerals, including rare earth minerals, recorded a sharp increase of 38.9 per cent, although a decline in non-metallic minerals limited the overall improvement.

The water supply, sewerage and waste management segment recorded a 6.1 per cent increase during the month.

Consumer Segments Improve

Consumer-oriented industries showed moderate improvement during June. Consumer durables production increased 7.7 per cent, while consumer non-durables output rose 4.9 per cent after declining 0.4 per cent in May. However, analysts highlighted risks from rainfall patterns, rural demand and global commodity movements.

Vikrant Chaturvedi, Associate Director at Brickwork Ratings, said weaker rainfall could affect rural consumption while increasing inflationary pressures.

"Furthermore, although active military engagement in the Middle East has paused, persistent regional tensions continue to drive troubling oil price volatility. For corporate credit profiles, these overlapping headwinds signal potential margin compression in the second half of the fiscal year. Sustaining the current industrial trajectory will increasingly depend on domestic investment durability to offset these mounting macroeconomic pressures," Chaturvedi added.

Revised IIP Framework

The June data was released under the revised IIP series with 2022-23 as the base year, which replaces the earlier Wholesale Price Index (WPI)-based deflation approach with the Output Producer Price Index (Output PPI).

Singh said the revised methodology would improve the measurement of real industrial output by providing a more detailed representation of producer prices and bringing India's industrial statistics closer to global practices.

"The revised framework is expected to improve the quality and reliability of industrial production estimates going forward," Singh added.