बैंक ऑफ़ बड़ौदा
Bank of Baroda

12 March 2025

Jahnavi Prabhakar
Economist

IIP growth accelerates

Manufacturing sector made a remarkable recovery and pushed IIP growth higher in Jan'25. Stronger growth from mining sector provided much need support. Within use-based classification, output of primary goods, infrastructure and capital goods registered an uptick in Jan'25 against growth noted in Jan'24. Overall, on a FYTD basis, IIP growth weakened to 4.2% against 6% growth registered last year. Despite the moderation, we expect growth in Q4 to fare better amidst the pickup in investment activity with thrust on capex and policy continuity by RBI. However, escalated concerns surrounding global tariff war poses as headwinds to exports and requires careful monitoring.

IIP growth expands: IIP growth rose to 5% in Jan'25 compared with a growth of 4.2% in Jan'24. This was much higher than our estimate of 3% increase. The improvement was led by manufacturing sector which expanded to 5.5% in Jan'25 (3.6% in Jan'24). Mining sector growth decelerated to 4.4% against a growth of 6.6% last year. Electricity output also moderated down to 2.4% (3-month low) compared with a growth of 5.6% in Jan'24. On a FYTD basis, IIP growth eased to 4.2% (6% growth last year) and registered much slower growth across the board. Mining and manufacturing growth eased down to 3.4% (from 8.3%) and 4.2% (5.5% last year) respectively in FYTD'25. Even electricity growth turned out to be slower at 5.1% against 6.8% growth noted last year for the same period.

Within manufacturing, out of 23 sub-sectors, 13 of them resulted in stronger growth in Jan'25. These included, manufacture of other transport equipment, pharma, other non-metallic minerals, coke & refined products, food products and motor vehicles amongst a few. Notably, only 10 sectors have recorded weaker growth during this period including, manufacture of electrical equipment, wood products, machinery equipment, printing and leather products.

Primary good strengthens: Within use-based classification, primary good outshined and registered a growth of 5.5% (6-month high) against a growth of 2.9% in Jan'24. Infrastructure and construction good output registered higher growth of 7% in Jan'25 (5.5% in Jan'24). This was led by improvement in cement output. Output of Capital goods edged up, registering a growth of 7.8% in Jan'25 compared with 3.2% growth in Jan'24. On the other hand, FMCG output contracted to (-) 0.2% in Jan'25 compared with a 0.3% increase in Jan'24. Marginally slower growth was noted for intermediate goods at 5.2% in Jan'25 compared with a growth of 5.3% last year for the same period. Moreover, consumer durable output softened to 7.2% in Jan'25 from 11.6% growth in Jan'24.

Way forward: Industrial production is expected to grow at a stronger pace in Q4 with support from government capex which is expected to pick up further pace. RBI tinkering with policy rates will also bodes well for the economy. However, there are downside risk pertaining to the external sector amidst the enveloping threat of tariff war.

Table 1: Stronger IIP growth noted in Jan’25

Sectoral (%)	Weight	Jan-24	Dec-24	Jan-25	Apr-Jan’24	Apr-Jan’25
IIP	100.0	4.2	3.5	5.0	6.0	4.2
Mining	14.4	6.0	2.7	4.4	8.3	3.4
Manufacturing	77.6	3.6	3.4	5.5	5.5	4.2
Electricity	8.0	5.6	6.2	2.4	6.8	5.1
Use-Based						
Primary Goods	34.1	2.9	3.8	5.5	6.5	4.0
Capital Goods	8.2	3.2	10.4	7.8	6.8	5.4
Intermediate Goods	17.2	5.3	6.4	5.2	4.8	4.6
Infrastructure and Construction Goods	12.3	5.5	7.4	7.0	10.1	6.3
Consumer Durables Goods	12.8	11.6	8.3	7.2	2.1	8.6
Consumer Non-Durables Goods	15.3	0.3	(7.5)	(0.2)	4.8	(1.3)

Source: CEIC, Bank of Baroda Research

Disclaimer

Visit us at www.bankofbaroda.com

For further details about this publication, please contact:

Economics Research Department
Bank of Baroda
+91 22 6698 5143
chief.economist@bankofbaroda.com