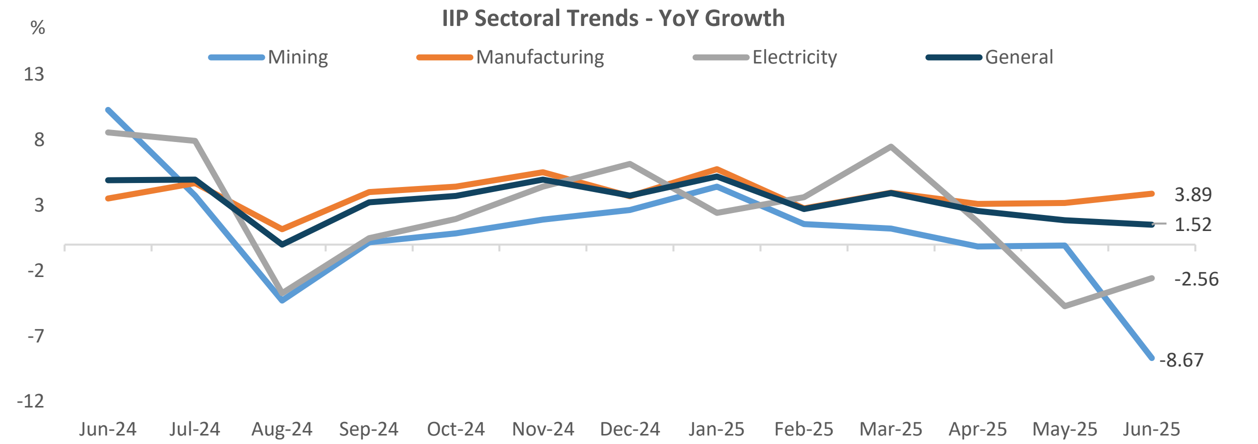
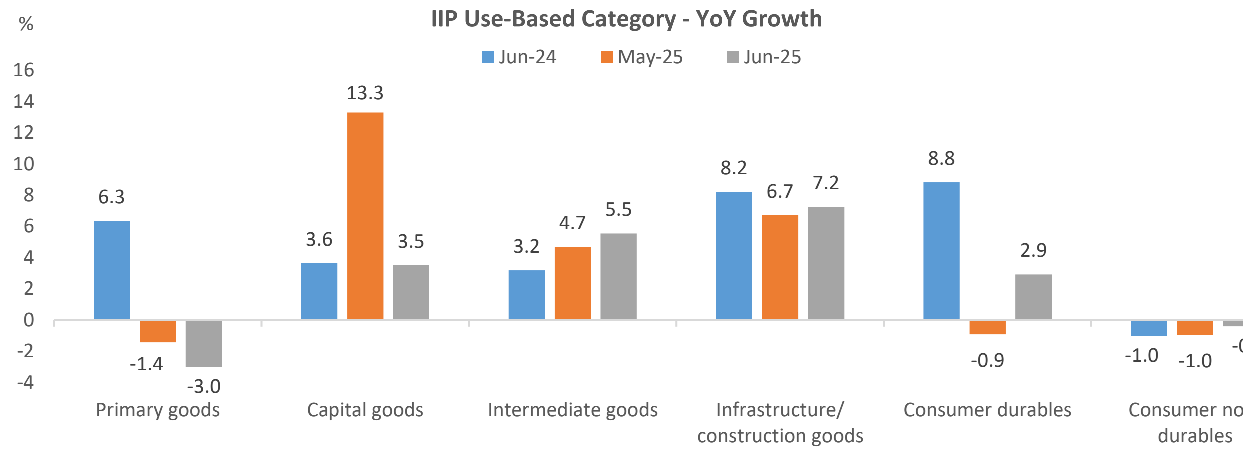
B2K Economy Bytes

Index of Industrial Production – June 2025

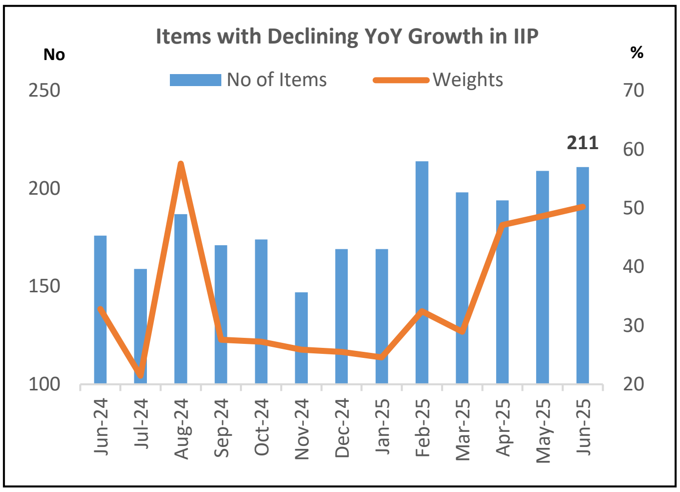
- Index of Industrial Production (IIP) growth moderated for the third consecutive month **in June** to **1.52%,** the lowest level since August 2024, despite improvement in manufacturing sector.
- Sharp contraction in **Mining (-8.67%)** and **Electricity sector (-5.26%)** continued to drag the overall IIP growth.
- In the use-based category, two categories showed contraction in growth while the remaining four reported better performances.
- Consumer non-durables contracted for the fifth straight month (-0.41%), although the pace of contraction slowed over the last month.
- In June, Manufacturing sector showed a broad-based resilience reporting 3.89% growth compared to 3.19% in May.
- Out of the 23 sub-sectors, **15 have reported positive growth** in June which contribute about 54% to IIP. This is a marked improvement compared to May, when 12 sub sectors reported growth comprising 40% weight in IIP.
- Overall, out of 407 item groups in IIP, **211 items recorded negative growth (YoY)**. While looking into the weights of these items group within IIP, half of the industrial sector is currently contracting, which suggests a broad-based weakness in industrial activities.

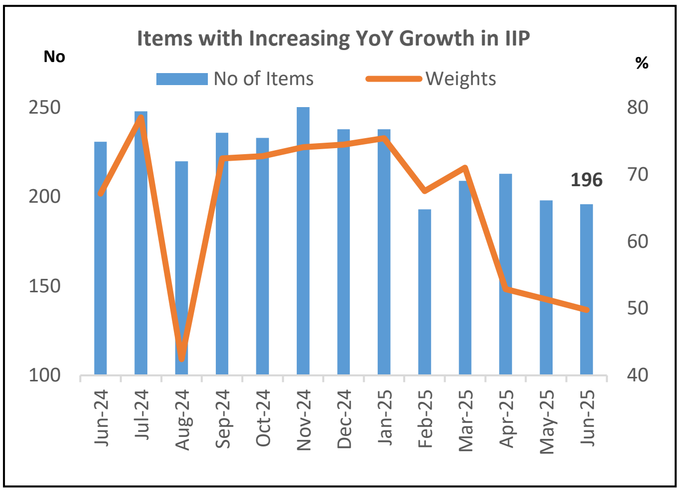




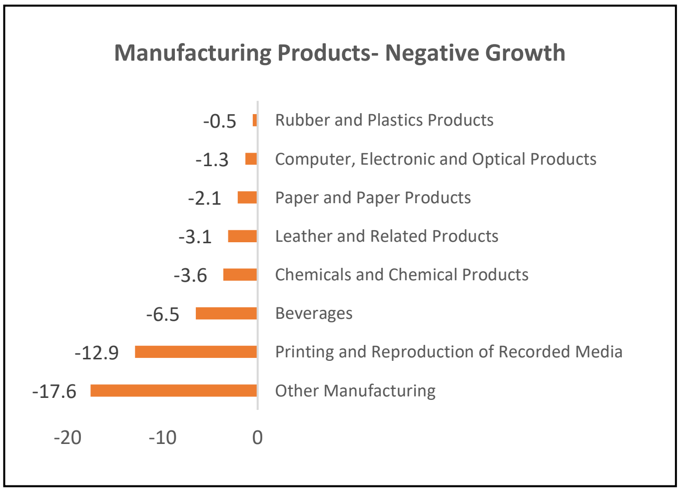
Source: RBI, MoSPI, B2K Analytics Research

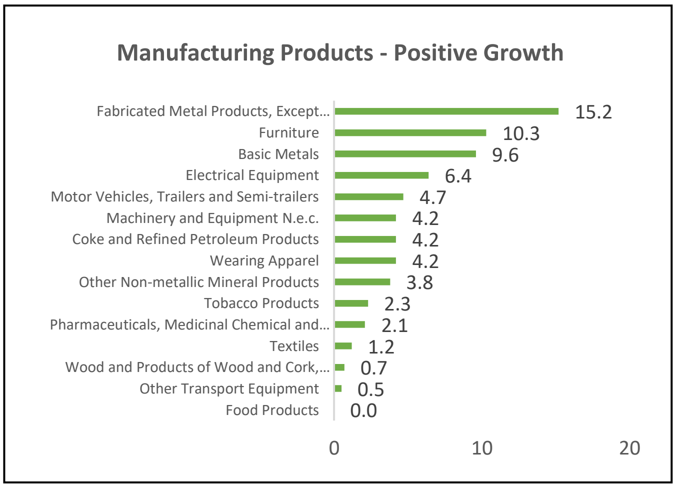
More industries showing negative growth





Out of the 23 sub-sectors in Manufacturing, 15 have reported growth in June





Source: MoSPI, B2K Analytics Research

Index of Industrial Production- YoY Growth							
Sectors	**Weights**	**FY2025**	**Q1 FY2025**	**Q4 FY2025**	**Q1 FY2026**	**May-25**	**Jun-25**
General	100	4.02%	5.46%	3.97%	1.98%	1.87%	1.52%
Mining	14.37	3.03%	7.86%	2.39%	-2.98%	-0.07%	-8.67%
Manufacturing	77.63	4.08%	4.27%	4.19%	3.40%	3.19%	3.89%
Electricity	7.99	5.19%	10.85%	4.57%	-1.93%	-4.71%	-2.56%
Use-Based							
Primary Goods	34.05	3.93%	6.91%	4.08%	-1.56%	-1.43%	-3.01%
Capital Goods	8.22	5.63%	3.04%	7.04%	10.01%	13.30%	3.50%
Intermediate Goods	17.22	4.26%	3.50%	3.38%	5.03%	4.68%	5.53%
Infrastructure/ Construction Goods	12.34	6.75%	8.08%	8.05%	6.23%	6.71%	7.25%
Consumer Durables	12.84	7.93%	10.66%	5.89%	2.63%	-0.92%	2.91%
Consumer non-durables	15.33	-1.50%	-0.24%	-1.96%	-1.36%	-0.97%	-0.41%
Source: MoSPI, B2K Analytics Research							

Note: In the current base year (i.e.2011-12), the index covers 839 items clubbed into 407 item groups under three sectors i.e. Mining (29 items clubbed into 1 item group), Manufacturing (809 items clubbed into 405 item groups) and Electricity (1 item) with weights of 14.37%, 77.63% and 7.99% respectively.
Source: MoSPI, B2K Analytics

Key Factors Impacting Industrial Sector Activity

Early Monsoon: Heavy rainfall across the country affected mining activities, resulting a sharp decline in June. Electricity production too fell as power consumption dropped due to reduced demand. June 2025 recorded a substantial rainfall of 180 millimetres, the highest for the month of June, since 2021. While there has been signs of weakening of the monsoon, indicated by the weekly rainfall for the week of 10-16 July and 17-23 July, which remained below the Long Period Average (LPA), at 10.8% and 14.1%, respectively.

India and UK Trade Deal: India and the UK have signed the CETA, a free trade agreement, aimed at boosting bilateral trade between the two countries by removing tariffs on 99% of India's exports. The move is expected to create huge demand for Indian goods such as textiles, leather, marine products, gems and jewellery, toys, chemicals, engineering products, agri- products. India's exports of manufactured goods remained tepid in the recent period (5.0% YoY in June 2025) and is expected improve following the deal.

Imposition of Higher Exports Tariff by US: The imposition of a 25% export tariff by US on Indian goods, effective 7 August 2025 is set to create significant near-term challenges for India's manufacturing sector, across key export-driven industries which are heavily exposed to US demand. Higher tariffs make Indian products more expensive in the US, reducing export competitiveness, especially in textiles, apparel, and electronics.

Falling Investments: Net FDI inflows plummeted to USD 35 million in May 2025, (98% lower YoY) from USD 3.9 billion in April driven by lower gross inflows and higher repatriation levels. Repatriation and disinvestment by foreign companies stood at USD 5 billion in May, a rise from USD 1.7 billion in April. Slowdown in bank credit to industries which grew by just 5.5% YoY in June also suggest lack of demand and investment scenario.

Lower Borrowing Costs: The RBI's 100 bps reductions in policy rates so far are expected to lower borrowing costs, offering relief to the manufacturing sector and encourage investments. However, sluggish domestic and external demand, trade uncertainties dampen the credit demand.

Outlook

With the early onset of monsoon aiding agricultural activities and a broader demand recovery for non-agricultural activities, the demand situation in the economy is expected improve in the coming months. However, the imposition of a 25% reciprocal tariffs by the US on Indian exports creates a significant downside risk, especially for industries with substantial exposure to the US market. While India - UK trade deal provides some respite, but its mitigating effect is limited given the relatively smaller share of India's exports to UK (3.3%) compared to the US (18.9%) as of now.

Overall, persistent challenges such as external risks continue to weigh on the industrial sector activities, while the higher private consumption aided by income tax relief announced in the Union Budget and better agricultural output, lower borrowing costs, easing inflation is expected to support domestic demand and underpin the industrial production growth.

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