

Macro Insights

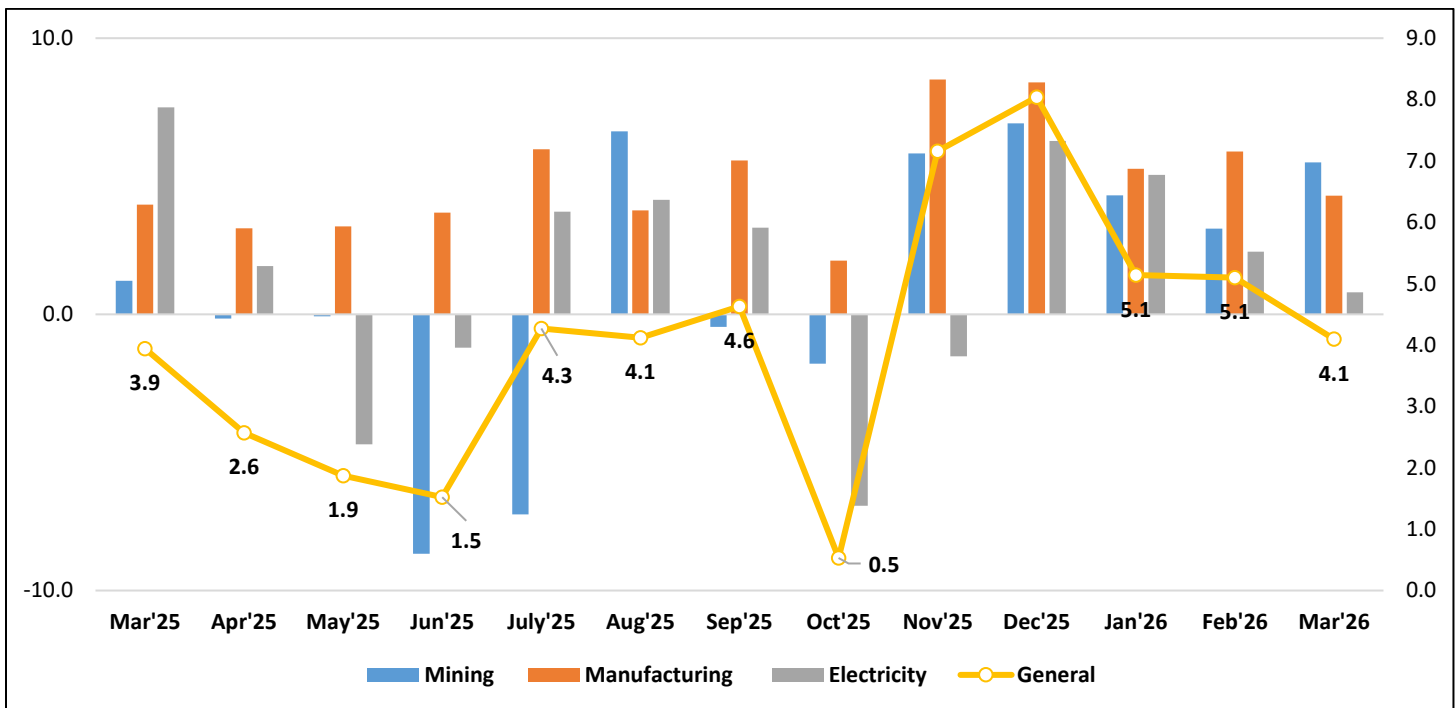
IIP slipped to 4.1% in March'26

Industrial activity, as indicated by Index of Industrial Production slowed to five-month low at 4.1% in Mar'26 compared to 5.1% growth in Feb'26. It stood at 3.9% in Mar'25. On a sequential basis, IIP improved by 9.1% in Mar'26, with the index increasing to 173.2 compared to 158.8 in Feb'26.

Highlights:

- The moderation in IIP growth was driven by slower expansion in the manufacturing and electricity sectors.
- Manufacturing which holds the highest weight in IIP grew by 4.3% in Mar'26 as compared to 5.9% in Feb'26. Meanwhile, electricity output growth slowed to 0.8% from 2.3% in the previous month.
- Growth in the mining sector accelerated to 5.5% YoY in Mar'26, up from 3.1% in the previous month.

Chart 1: Index of Industrial Production (IIP) March 2026 (YoY% Change)



Source: MoSPI

Table 1: IIP YoY growth % (Sector-wise)

Component	Weight (%)	Mar'25	Feb'26	Mar'26	Apr-Mar (FY24-25)	Apr-Mar (FY25-26)
Mining	14.37	1.2	3.1	5.5	3.0	1.4
Manufacturing	77.63	4.0	5.9	4.3	4.1	5.0
Electricity	7.99	7.5	2.3	0.8	5.2	1.0
IIP Index -General	100.00	3.9	5.1	4.1	4.0	4.1

Table 2: IIP YoY growth % (Usage-wise)

Component	Weight (%)	Mar'25	Feb'26	Mar'26	Apr-Mar (FY24-25)	Apr-Mar (FY25-26)
Primary Goods	34.05	3.9	1.8	2.2	3.9	1.2
Capital Goods	8.22	3.6	12.4	14.6	5.6	8.3
Intermediate Goods	17.22	3.8	7.2	3.3	4.3	5.5
Infra/Construction Goods	12.34	9.9	11.1	6.7	6.7	9.8
Consumer Durables	12.84	6.9	7.1	5.3	7.9	5.9
Consumer non-durables	15.33	-4.0	-0.5	1.1	-1.5	0.1

Analysis and Views:

- IIP growth stood at 4.1% YoY during the 12 months of FY'26, marginally higher than the 4.0% growth recorded in FY'25, despite monthly fluctuations.
- IIP growth in March 2026 appears to have been impacted by the West Asian crisis, with weakness in factory output visible across several segments amid rising input costs and supply disruptions.
- Within manufacturing, 14 out of the 23 industry groups posted YoY growth in March. Key contributors included basic metals, which rose 8.6%; manufacture of motor vehicles, trailers and semi-trailers, which grew 18.1%; and machinery and equipment, which increased 11.2%. However, some segments remained under pressure with manufacture of wearing apparel contracting 14.6% YoY, while beverages, tobacco products and textiles declined by 3.1%, 10.0% and -3.6% respectively.
- Three of the six use-based categories recorded faster YoY growth than in February 2026, led by capital goods with a robust 14.6% increase underscoring continued strength in industrial activity. Infrastructure/Construction goods grew 6.7% YoY, while consumer durables and intermediate goods expanded 5.3% and 3.3% respectively. Primary goods and consumer non-durables recorded a modest growth of 2.2% and 1.1% respectively, reflecting some weakness in consumption demand.
- Going forward, IIP growth may continue to moderate in April amid the ongoing conflict in West Asia and the resulting energy crisis, which could further impact industrial activity. The slowdown in output across certain sectors may intensify in the near term due to higher raw material costs and persistent supply chain bottlenecks.

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