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Macro Insights

Analysis and Key Takeaways: Index of Industrial Production (IIP) May 2026

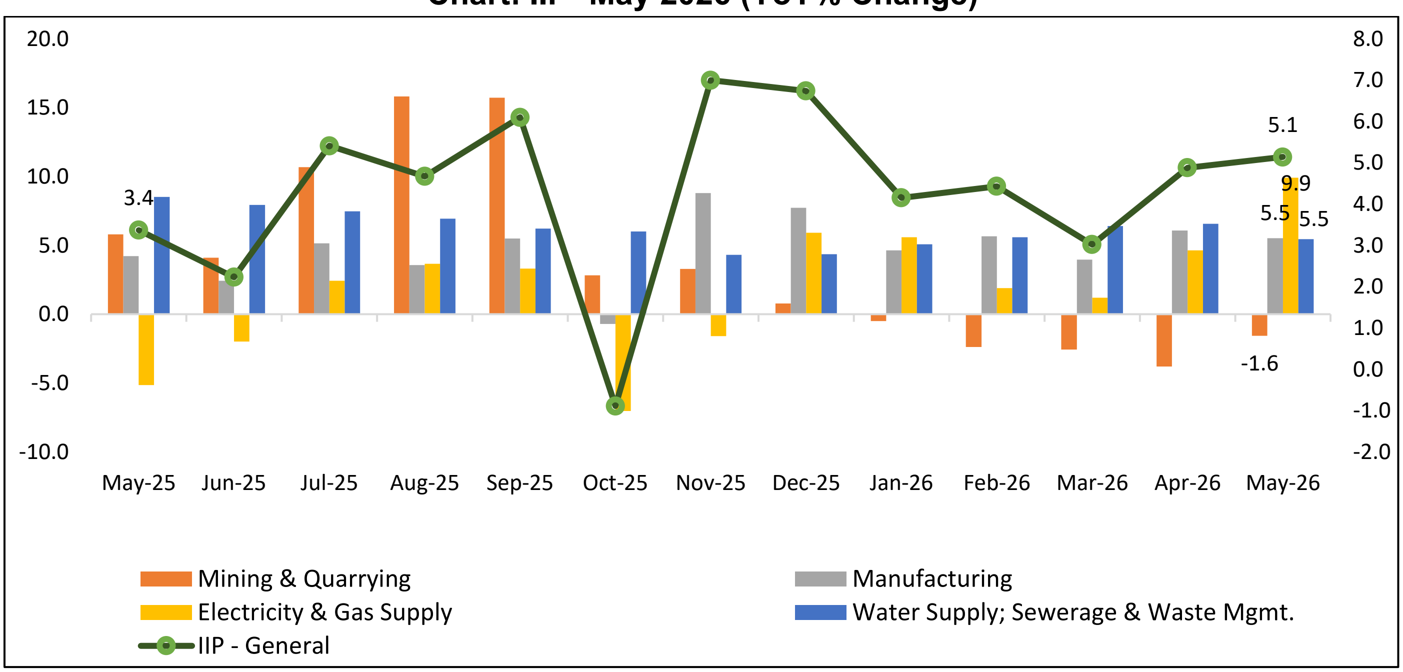
IIP grew by 5.1% y-o-y growth in May 2026

Industrial output, as measured by Index of Industrial Production recorded a 5.1% expansion in May’26 compared to 4.9% growth in Apr’26. It was higher than 3.4% growth recorded in May’25. On a sequential basis, IIP grew by 3.8% in May’26, with the index rising to 122.7 compared to 118.2 in Apr’26.

Highlights

- *IIP growth was driven by expansion in three out of four sub-segments, barring mining activity which declined for the fifth straight month.*
- *Under use-based classification, four out of six segments recorded higher growth in May’26 vis-à-vis Apr’26. Capital goods sector grew in double digits for second consecutive month, recording 12.9% YoY growth in May’26.*
- *MoSPI has revised and released the entire IIP 2022-23 series with Output Producer Price Index as the deflator instead of Wholesale Price Index.*

Chart: IIP- May 2026 (YoY% Change)



Source: MoSPI

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

Component	Weight (%)	May'25	Apr'26	May'26
Mining & quarrying	**11.0**	5.8	-3.8	-1.6
Manufacturing	**76.1**	4.2	6.1	5.5
Electricity & Gas Supply	**10.9**	-5.2	4.6	9.9
Water Supply, Sewerage & Waste Management	**2.0**	8.5	6.6	5.5
IIP Index -General	**100.0**	**3.4**	**4.9**	**5.1**

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

Component	Weight (%)	May'25	Apr'26	May'26
Primary Goods	**31.1**	0.7	0.8	2.6
Capital Goods	**8.1**	9.5	12.0	12.9
Intermediate Goods	**22.4**	4.8	10.4	5.9
Infra/Construction Goods	**10.9**	5.7	6.1	5.9
Consumer Durables	**11.3**	1.9	5.6	7.2
Consumer non-durables	**16.2**	3.4	0.2	3.6

Changes in the IIP Series

- MoSPI has decided to adopt Output Producer Price Index (PPI) as Deflator in place of Wholesale Price Index (WPI) for item groups for which output is collected in value terms.
- This affects 234 out of the 463 item groups in the IIP basket, representing 36.02 per cent of the total index weight.
- MoSPI has now revised and released the entire IIP 2022-23 series with Output PPI and it supersedes the earlier WPI based IIP 2022–23 series released on 1 June 2026.
- Output PPI provides a more granular price structure than the WPI. For value based items, use of Output PPI will improve the estimation of real output.
- Adoption of output PPI is in line with international best practices and the recommendation of the Technical Advisory Committee (TAC) on the base revision of IIP.

Analysis and Views:

- IIP growth fastened to 5.1% in May'26, driven by growth in manufacturing and electricity sectors. Manufacturing, which accounts for the largest share (76.1%) in IIP, grew 5.5% YoY in May, slowing from 6.1% in April but significantly higher than 4.2% in the same month a year ago, providing the main impetus to overall growth.
- Electricity & gas supply posted the strongest sectoral growth at 9.9% on the back of improvement in power demand. Mining & quarrying contracted 1.6%, whereas Water Supply, Sewerage & Waste Management grew 5.5%.
- Within manufacturing, 16 out of 23 industry groups posted YoY growth in the month of May. The top 3 positive contributors for the month of May 2026 are – "Manufacture of motor vehicles, trailers and semi-trailers" (14.5% YoY), "Manufacture of electrical equipment" (20.8% YoY) and "Manufacture of basic metals" (4.6% YoY).

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- Mining output continued to contract for the fifth straight month indicating a fall in extraction activity. However, the pace of decline almost halved to -1.6% in May'26 compared to -3.8% in Apr'26.
- Data from use-based classification showed a largely positive trend, driven by Capital goods, which recorded double-digit increase (12.9% YoY growth) underscoring the continued strength in industrial activity.
- Consumer durables grew 7.2%, followed by infrastructure and construction goods at 5.9%, intermediate goods at 5.8%, consumer non-durables at 3.6% and primary goods at 2.6%.
- Going forward, the IIP is expected to remain around the present level drawing support from lean expectations of a change in repo rate which may provide some strength to industrial activity.

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