Industrial output hits all-time high in Dec

IIP growth was fastest in 26 months at 7.8 per cent in December

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India's industrial output rose to an all-time high under the current Index of Industrial Production (IIP) series (base year 2011-12) in December, rising at a 26-month high pace of 7.8 per cent year-on-year, aided by healthy spikes in manufacturing, electricity and mining as well as an across-the board jump in all end-use segments for the second straight month.

At 170.3, the overall index reading was 7.3 per cent over the November 2025 level with the manufacturing index, which constitutes 78 per cent of India's industrial production, also hitting a series high of 169.9, 6.5 per cent above the previous month.

On a year-on-year basis, manufacturing grew 8.1 per cent in December, a tad slower than the 8.5 per cent in November. For the first nine months of 2025-26 (FY26), the manufacturing sector has grown 4.8 per cent compared to 4.1 per cent in the same period of FY25.

Base effects also helped lift December's IIP growth as the index had risen just 3.7 per cent in December 2024. Meanwhile, the National Statistics Office (NSO) revised upwards the November IIP growth to 7.2 per cent from 6.7 per cent estimated earlier.

Electricity output growth rebounded to an 18-month high of 6.3 per cent in December, snapping a two month-contraction streak and lifting the year-to-date growth for the sector out of the red to a fractionally positive 0.5 per cent

Mining output also recorded a nine-month high growth rate of 6.3 per cent, the fastest in nine months, compared to a 5.8 per cent uptick recorded in November. Mining output is up 0.1 per cent in the first nine months of FY26, compared to a 0.9 per cent contraction recorded in the first eight months.

On the basis of end-use, two of the six IIP segments clocked double-digit growth, including consumer durables, which rose at a 13-month high pace of 12.3 per cent, and infrastructure and construction items that were up 12.1 per cent.

Consumption was, in fact, a prime driver of the manufacturing spurt in December, as consumer non-durables production reached the highest level since December 2023 with a 8.3 per cent year-on-year rise, the fastest since October 2023.

Intermediate goods recorded a 7.5 per cent uptick, the fastest in 22 months. The weakest uptick was recorded in primary goods at 4.4 per cent, while capital goods' output was up 8.1 per cent, mildly lower than the 10.1 per cent growth recorded in November.

"The high consumer non-durable growth after the festive season suggests that the inventories with wholesaler and manufacturer have exhausted, and manufacturers believe demand is likely to continue," said India Ratings and Research Associate Director Paras Jasrai.

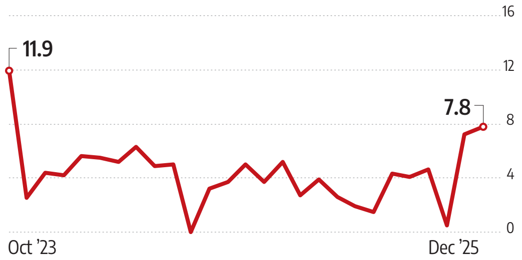
In the first nine months of FY26, industrial output is up 3.9 per cent, compared with a 4.1 per cent increase in the same period of FY25, driven mainly by manufacturing (up 4.8 per cent).

Of the 23 major manufacturing segments tracked by the NSO, as many as 16 recorded positive growth in December, including furniture. Of these, seven recorded double-digit growth during the month — motor vehicles, pharma products, computer manufacturing, other transport equipment, basic metals, tobacco products, and non-metallic mineral products.

On the other hand, seven sectors recorded contraction, including beverages, chemicals and wearing apparel, perhaps reflecting the effect of tariffs levied by the US. Electric equipment saw the sharpest contraction at 11.7 per cent.

Tracking production

IIP Y-o-Y chg (%)



Note: Data for Dec 2025 is provisional Source: NSO

Rajani Sinha, chief economist at CareEdge Ratings, reckoned that demand-side indicators have strengthened owing to GST rationalisation, income tax relief, past RBI rate cuts, and easing inflationary pressures. "Looking ahead, the upcoming Union Budget will be pivotal in shaping domestic economic momentum amid heightened global headwinds. The direction of capex-related policies and their influence on private investment will be key determinants of industrial performance," Sinha concluded.

"Overall, on a quarterly basis, the factory output touched a six-quarter high of 5.2 per cent year-on-year during the third quarter (Q3FY26). We have to be watchful of the revival witnessed in the IIP growth and monitor it for a couple of quarters to term it as industrial recovery. The new IIP with a base year of 2022-23 will portray a correct picture of industrial production," pointed out Jasrai.

The new IIP series, expected to roll out in May, will introduce seasonally adjusted data, to remove predictable seasonal and calendar effects so that underlying movements in industrial activity can be gauged more accurately. Currently, India publishes unadjusted IIP numbers, leaving users to independently apply seasonal adjustment techniques, making it obscure for ordinary users without sufficient econometric knowhow.

"Seasonal adjustment is widely recognized as essential for enhancing the interpretability, reliability, and analytical usefulness of high-frequency economic indicators such as the IIP. By removing predictable seasonal patterns, seasonal adjustment helps ensure that short-term movements in the series more accurately reflect underlying economic developments rather than seasonal influences," the Ministry of Statistics and Programme Implementation said in a discussion paper released on Wednesday.