Industrial growth hits 10-month low in June; mining, electricity drag momentum

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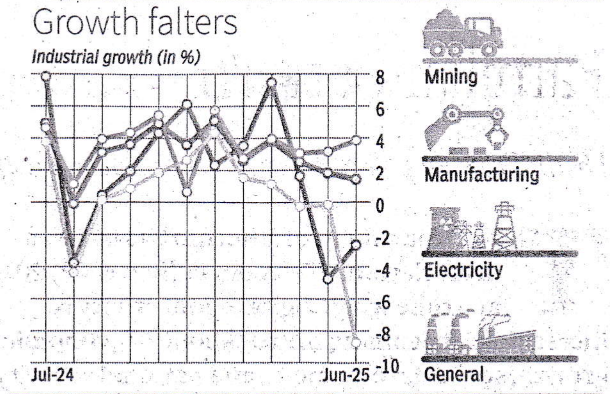

Source: MoSPI

With a dip in mining and electricity, growth of factory output slowed to a 10-month low at 1.5 per cent in June, government data released on Monday showed. The growth rate, derived from the Index of Industrial Production (IIP), was 1.9 per cent in May and 4.9 per cent in June last year.

Data from the National Statistics Office (NSO) showed that the manufacturing sector's output growth rose marginally to 3.9 per cent in June from 3.5 per cent in the year-ago month. Mining production contracted by 8.7 per cent against a growth of 10.3 per cent recorded a year ago. Power production declined by 2.6 per cent in June against 8.6 per cent growth in the corresponding month of last year.

MANUFACTURING SECTOR

Within the manufacturing sector, 15 out of 23 industry groups reported positive growth in June 2025 compared to June 2024.

The top three positive contributors for June 2025 include 'Manufacture of basic metals' (9.6 per cent), 'Manufacture of coke and refined petroleum products' (4.2 per cent) and 'Manufacture of fabricated metal products, except machinery and equipment' (15.2 per cent). During the April-June period of FY26, industrial production grew by 2 per cent compared to 5.4 per cent a year ago. This is the lowest in 11 quarters. According to Aditi Nayar, Chief Economist at ICRA, excess rains in parts of the quarter dampened electricity generation and mining output. Besides, the growth in manufacturing volumes slowed somewhat between these quarters. "Given this, and the slower, albeit healthy, growth in construction-related volume indicators such cement output and finished steel consumption, ICRA expects the industrial GVA growth to decelerate in Q1 FY2026 from the 6.5 per cent uptick seen in Q4 FY2025," she said.

INFRA PUSH

Rajni Sinha, Chief Economist at CareEdge, said that on the investment front, infrastructure and construction goods posted a healthy 7.2 per cent growth in June (vs. 6.7 per cent in May). While private capital expenditure (capex) has yet to show meaningful traction, public capital expenditure continues to remain encouraging. However, persistent global uncertainties are weighing on the overall investment sentiment.

On the demand side, signals remain mixed. The output of consumer non-durable goods continued to remain weak, remaining in the contractionary zone for five consecutive months, while the output of consumer durable goods improved. Urban consumption, in particular, remains lagging. "Consistent easing of inflation, a favourable monsoon, and recent policy rate cuts by the RBI are positives for the consumption scenario going forward," she said.