

# IIP growth hits 26-month high of 7.8% in Dec

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**INDIA'S FACTORY OUTPUT** recorded strong growth for the second consecutive month in December, with the Index of Industrial Production (IIP) rising 7.8% year-on-year (y-o-y), on the back of healthy consumer demand and strong manufacturing performance, according to government data released on Wednesday.

The output has been on an upward trajectory for the second straight month, recovering from a 14-month low of 0.5% in October. November IIP growth was revised upward to 7.2%.

In December 2024, the IIP had grown by 3.7%.

"Growth in IIP in December was driven by an across-the-board surge in manufacturing (8.1%), mining (6.8%) and electricity (6.3%)," the Ministry of Statistics and Programme Implementation (MoSPI) said. Within manufacturing, the highest-growth industries included "computer, electronic and optical products (34.9%)", "motor vehicles, trailers and semi-trailers (33.5%)" and "other transport equipment (25.1%)". The electricity sector posted healthy expansion after contracting in October and November.

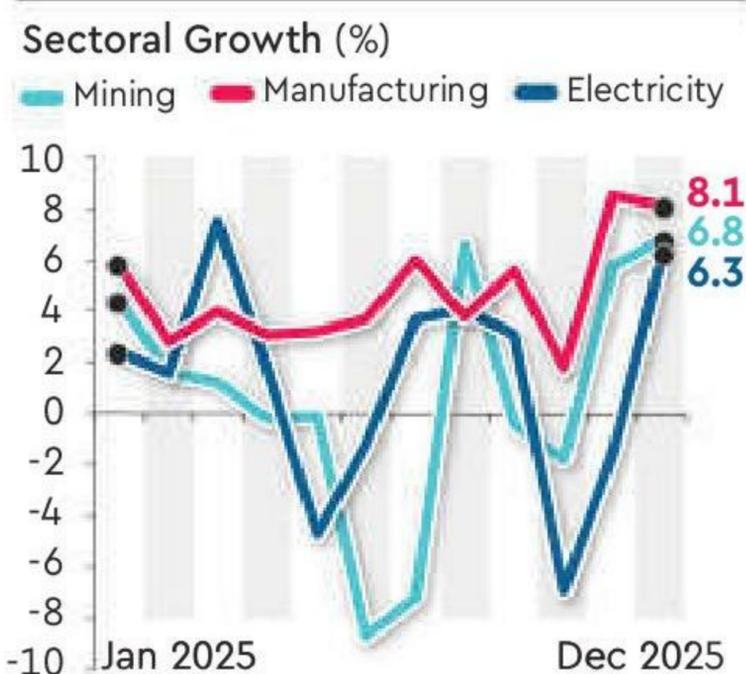
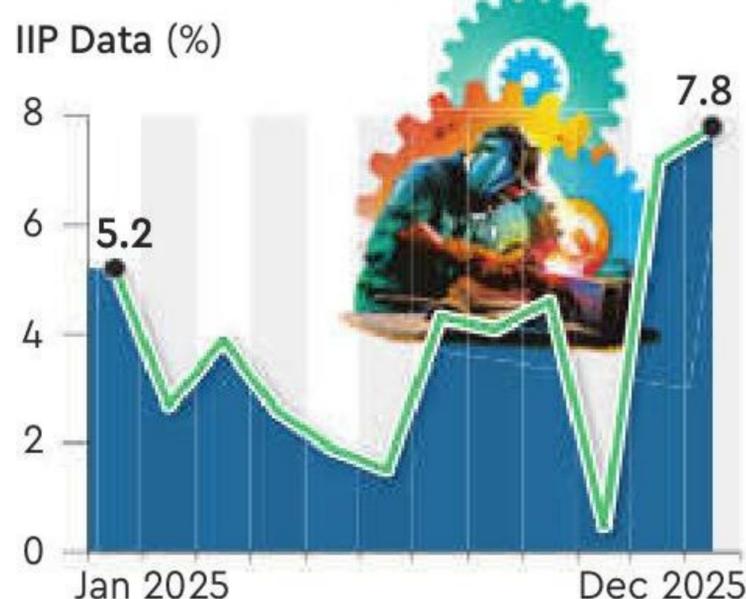
Madan Sabnavis, chief economist at Bank of Baroda, attributed the growth to visible effects from Goods and Services Tax (GST) rate rationalisation boosting consumer goods, alongside infrastructure investment reflecting in capital goods. He forecast full-year IIP growth at 4.5-5%.

Aditi Nayar, chief economist at ICRA, noted that the surprise largely stemmed from manufacturing output, likely supported by post-festive restocking, despite sluggish non-oil exports in the month.

On the demand side, consumer durables output accelerated 12.3% y-o-y and consumer non-durables 8.3% y-o-y. Capital goods rose 8.1% (vs 10.5% a year earlier), intermediate goods 7.5% (vs 6.4%), infrastructure/construction goods 12.1% (vs 8.4%), and primary goods a modest 4.4% (vs 3.8%).

Paras Jasrai, economist at India Ratings, highlighted that consumer non-durables growth was the highest in 26 months. "High consumer non-durable growth post-festive season (at a 13-month high) suggests inventories with

## DEMAND DYNAMICS



wholesalers and manufacturers have depleted, and manufacturers anticipate sustained demand," he said, adding that the figures provide anecdotal evidence of GST rate rationalisation stimulating economic demand.

Economists noted that factory output touched a six-quarter high of 5.2% y-o-y in Q3 FY26 (October-December 2025), up from 4.3% in Q2.

"IIP growth accelerated to a six-quarter high of 5.2% in Q3 FY26 from 4.3% in Q2, reflecting improved performance in manufacturing and mining sectors," Nayar said. This bodes well for industrial gross value added (GVA) growth in the quarter.

Experts expect IIP growth to moderate to 6-7% in January, partly due to a higher base effect.

Dipti Deshpande, principal economist at Crisil, said domestic tailwinds should continue supporting consumer segments for a few more quarters, though higher US tariffs could increasingly weigh on export-oriented segments. "A trade deal with the US, bringing tariffs closer to levels faced by peers, could mitigate the impact," Deshpande added.