Industrial growth zooms to 7.8% in Dec

KEY DRIVERS. Mining, manufacturing and power sectors help factory output touch a 25-month high

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With a strong support from manufacturing and mining, the growth rate of factory output, based on the Index of Industrial Production (IIP), strengthened to a 25-month high of 7.8 per cent in December, the Statistics Ministry reported on Wednesday.

"Growth in IIP in December 2025 is driven by across-the-board surge in manufacturing, mining and electricity," the Ministry said. In manufacturing, the highest growth was recorded by industries, including computer, electronic and optical products (34.9 per cent), motor vehicles, trailers and semi-trailers (33.5 per cent) and other transport equipment (25.1 per cent).

The data further showed that the manufacturing sector's output grew 8.1 per cent in December 2025 compared to 3.7 per cent in the year-ago month.

Growth at a glance

(In %/2025)

Performance			Use-based		
Head	Nov	Dec	Head	Nov	Dec
Mining	5.8	6.8	Primary Goods	2.2	4.4
Manufacturing	8.5	8.1	Capital Goods	10.1	8.1
Electricity	(-)1.5	6.3	Intermediate Goods	7.4	7.5
			Infra/Construction Goods	13.0	12.1
General	7.2	7.8	Consumer Durable	11.2	12.3
			Consumer non-durable	8.0	8.3

Source: MoSPI

Mining production rose 6.8 per cent (2.7 per cent). Power generation grew 6.3 per cent in December 2025 (6.2 per cent). During the April-December period of FY26, the country's industrial production growth slowed to 3.9 per cent (4.1 per cent).

According to Aditi Nayar, Chief Economist with ICRA, as many as four of the six use-based segments witnessed an acceleration in their growth in December 2025 vis-à-vis November 2025, including consumer durables, which expanded at a 13-month high, 12.3 per cent, in the month. While growth in the capital goods and infra/construction goods segments recorded a deceleration in December 2025 vis-à-vis November, it continued to remain at elevated levels in the month.

SIX-QUARTER HIGH

IIP growth accelerated to a six-quarter high of 5.2 per cent in Q3 FY26 from 4.3 per cent in Q2, reflecting the improvement in the performance of the manufacturing and mining sectors.

This is expected to augur well for the industrial GVA growth performance in the quarter.

"We currently expect GDP growth (on the prevailing base) to print at a healthy 7.1-7.2 per cent, albeit recording a moderation as compared to the 8 per cent expansion in H1 on account of the high base. Further, we expect the IIP growth to decelerate to 6-7 per cent in January 2026, partly on account of an unfavourable base," Nayar said.

Rajeev Sharan, Head-Criteria, Model Development and Research, Brickwork Ratings, said that the rebound in consumer durables and infrastructure goods signals strengthening domestic demand, while capital goods growth reflects investment revival.

This improving industrial momentum is well-timed with the just-concluded India-EU FTA, which will progressively lower tariffs and open a 450-million consumer market for Indian manufacturers, especially in engineering, textiles and autos. Together, "stronger domestic production and better EU market access can reinforce India's medium-term growth and are clearly credit positive," he said.