

Industrial Output Growth Dips to 5-Mth Low in Mar

Our Bureau

New Delhi: India's industrial output growth slowed to a five-month low of 4.1% year-on-year in March, dragged by weaker electricity and manufacturing, but outperformed economists' expectations of 1-2%, official data released on Tuesday showed.

The moderation from a 5.1% growth in February also reflects the impact of the Iran conflict, which has disrupted supplies and raised input costs, economists said.

The Index of Industrial Production (IIP) had expanded 3.9% in March 2025.

Economists had expected only 1-2% growth last month, after the core sector output contracted 0.4%—its weakest reading in 19 months. The core sector accounts for 40.27% weight in the IIP.

Aastha Gudwani, India chief economist at Barclays, said growth expectedly slowed in March, but the pace of deceleration does not indicate any large adverse effect on industry output from energy rationing.

Dipti Deshpande, principal economist at Crisil, however, said the deeper impact of the West Asia conflict is likely to show up in the first quarter of FY27. "The March data captures only a part of the shock as uncertainty and weak producer sentiment have yet to fully manifest in production data," she said. Industrial growth rose slightly to 4.1% in FY26 from 4% in the previous year. March marked the final release under the 2011-12 base year series, with the IIP set to shift to a new 2022-23 base on June 1.

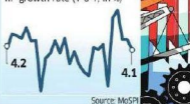
Sector-wise, manufacturing growth slowed to 4.3% in March from 5.9% in February. Within the sector, the top three contributors were basic metals (8.6%), motor vehicles, trailers and semi-trailers (18.1%) and machinery and equipment (11.2%).

Losing Momentum

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IIP growth rate (Y-o-Y, in %)



Segments such as beverages, textiles, apparel and chemicals saw output decline compared with a year earlier.

Rajani Sinha, chief economist at CareEdge Ratings, cautioned that the manufacturing sector could continue facing headwinds from the uncertain external scenario which could impact the sector's performance in the coming months.

Electricity generation growth moderated to 0.8% in March from 2.3% the month before, while mining output rose to 5.5% from 3.1%.

Among use-based categories, capital goods recorded the strongest growth of 14.6% in March compared with 12.4% the month before, indicating strong investment demand, while infrastructure/construction goods output slowed to 6.7% from 11.1%.

Aditi Nayar, chief economist at ICRA, said the decline in infrastructure/construction goods growth into single digits after four months reflects softer expansion in steel and cement output.

Madan Sabnavis, chief economist at Bank of Baroda, attributed the strong performance in capital and infrastructure goods to front-loaded government capital expenditure.