

IIP growth moderates to 5-month low of 4.1%

● Muted impact of West Asia war; investment demand strong

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INDIA'S FACTORY OUTPUT growth moderated to a five-month low of 4.1% year-on-year in March, reflecting the early impact of the West Asia conflict, but the expansion was still better than expected. Strong signs of investment demand were also visible.

According to data released by the Ministry of Statistics and Programme Implementation (MoSPI) on Tuesday, the slowdown in March was mainly due

MANUFACTURING DRAGS

IIP growth (% , y-o-y)



to a sequential deceleration in manufacturing output growth to 4.3% from 5.9% in February, and slower expansion of electricity output to 0.8% from 2.3%. These sectors account for more than 85% of IIP. The mining sector (5.5%) provided

upward support, though.

IIP growth in FY26 stood at 4.1%, up from 4% in FY25. IIP growth in March 2025 was 3.9%, and it was 5.1% in February this year.

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WITHIN THE MANUFACTURING sector, 14 out of 23 industry groups recorded positive growth. High growth in motor vehicles, trailers, and semi-trailers (18.1%), followed by machinery and equipment (11.2%) and basic metals (8.6%) provided the upside to IIP growth while textiles, chemicals & chemical products and other manufacturing exerted downward pressure.

Rajani Sinha, chief economist at CareEdge Ratings, said the manufacturing sector could continue facing headwinds from the uncertain external sce-

nario which could impact the sector's performance in the coming months.

The performance of the six use-based segments was mixed, with an equal number seeing an improvement and a deterioration in March relative to February. Aditi Nayar, chief economist at Icria, said the decline in the y-o-y growth in infrastructure/construction goods output to 6.7% from 11.1% in last month—slipping to single digits after a gap of four months—reflects the softening in growth in steel and cement output.

Meanwhile, Vikrant

Chaturvedi, associate director - Research, Brickwork Ratings, said the strength in capital goods (14.6%) and infrastructure goods underscores that investment-led demand remains intact even as consumer non-durables posted a muted 1.1% rise. The economists also described the March print as higher than their expectations amidst the West Asia crisis. The economists said the growth in the non-core portion of factory output in March shrugged off the expected adverse impact of the West Asia crisis, rising at a 7.8% in the month.

Gaura Sengupta, chief economist at IDFC First Bank, said the IIP March print was better than expected indicating that the impact of the West Asia crisis remains isolated in a few pockets. "Core sector was weak due to a sharp decline in fertiliser production due to surge in gas prices. The consumer remains insulated from the rise in energy cost with the government and OMCs absorbing the majority of the cost," Sengupta said.

Dipti Deshpande, Principal Economist, Crisil, said the March data captures only a part of the shock as uncertainty and

weak producer sentiment have yet to fully manifest in production data. "The deeper impact is expected to show up down the road, particularly in the first quarter of this fiscal."

Megha Arora, director, India Ratings and Research, projected IIP growth in April to around 5.0%, as the base effect will help maintain the growth momentum (April 2025 was 2.6%). "Government's continued capex is likely to keep the growth momentum for capital goods (FY26: 8.2%) and infrastructure/construction goods (FY26: 9.8%) in FY27 as well," Arora said.