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EcoScope
The Economy Observer

Jun'26 IIP: Manufacturing and power demand strong

- **Industrial production accelerated to 7.3% YoY in Jun'26 from 5% in May'26, the fastest pace in almost two years (23 months). The growth was broad-based, led by electricity generation and manufacturing. Mining returned to positive territory after five months of degrowth.**
- **Manufacturing, accounting for over 76% of the IIP basket, grew 7.8% YoY in Jun'26, with 19 out of 23 industry groups recording positive growth. The expansion was led by electrical equipment (+34.0%), motor vehicles (+17.5%), and food products (+10.8%). Switchgear, UPS, and end-face connectors for optical fibers and cables drove the growth within electrical equipment. Auto ancillaries, passenger cars, and commercial vehicles drove growth in motor vehicles.**
- **Electricity & Gas Supply remained the fastest-growing major sector, expanding 10.6% YoY in Jun'26. The composition of this growth shifted notably from May. Non-renewable generation (+13.0%) outpaced renewables (+7.3%) this month, a reversal that likely reflects both a higher renewable base and sustained thermal power generation to meet cooling demand through an extended hot summer.**
- **Mining, the weak link through most of FY26, turned positive at +1.0% YoY in Jun'26. It is the first expansion after five months of degrowth. The move was driven almost entirely by a 38.9% surge in metallic minerals, which more than offset continued contraction in fuel minerals (-1.5%) and a sharp 13.4% decline in non-metallic minerals.**
- **The use-based classification continued to indicate healthy investment activity. Capital goods production rose 14.2% YoY, moderating marginally from 15.5% in May but holding comfortably in double digits for a second straight month. Infrastructure & construction goods accelerated to 7.5% YoY from 6.6% in May.**
- **Consumption indicators remained supportive. Consumer non-durables growth swung to 4.9% YoY in Jun'26 from -0.4% in May, a sharp reversal that eases some concerns around rural demand. Consumer durables growth held steady at 7.7%, a modest step down from 8.0% in May but still firmly urban-led.**
- **Outlook: Domestically, monsoon distribution remains uneven, with persistent El Niño-linked risks to kharif output. The cumulative rainfall deficit stood at 16% below LPA (as of 27 July), and Kharif sowing stands at 4.7% YoY. Electricity generation should stay supported by cooling demand, but the June bounce in consumer non-durables will need confirmation before it changes the read on rural purchasing power. The underlying agricultural income risk remains.**
- **Globally, the bounce back in oil prices could prove negative to the strong manufacturing sector working through higher input costs, inflated inventory prices, and shipping backlogs. A durable reopening of the Strait of Hormuz cannot still be assumed as a base case.**

Exhibit 1: IIP and its components

(% YoY)	Old Weight	New Weight	Apr'25	May'25	Jun'25	Mar'26	Apr'26	May'26	Jun'26
Industry-based Classification									
Mining & Quarrying	14.4	11.1	0.6	5.8	4.1	-2.6	-3.8	-1.4	1.0
Manufacturing	77.6	76.1	5.8	4.2	2.4	4.0	6.1	5.2	7.8
Electricity / Electricity & Gas Supply	8.0	10.9	1.9	-5.1	-2.0	1.2	4.6	10.3	10.6
Water Supply, Sewerage & Waste Management	–	2.0	8.2	8.5	7.9	6.4	6.6	5.5	6.1
General IIP	**100.0**	**100.0**	**4.8**	**3.4**	**2.2**	**3.0**	**4.9**	**5.0**	**7.3**
Use-based Classification									
Primary Goods	34.0	31.1	1.2	0.7	2.1	0.2	0.8	2.7	4.9
Capital Goods	8.2	8.1	14.5	9.5	3.4	8.5	12.0	15.5	14.2
Intermediate Goods	17.2	22.4	7.1	4.8	3.1	6.0	10.3	5.8	9.3
Infrastructure / Construction Goods	12.3	10.9	6.0	5.7	6.6	5.2	6.0	6.6	7.5
Consumer Durables	12.8	11.3	5.2	1.9	1.4	2.4	5.6	8.0	7.7
Consumer Non-Durables	15.3	16.1	3.3	3.3	-2.0	-0.6	0.2	-0.4	4.9

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Exhibit 2: Comparison of item basket and weights of the new IIP series with the old series

Sector	Base Year 2011-12 Weight (%)	Item Groups	Base Year 2022-23 Weight (%)	Item Groups
Mining & Quarrying	14.372	1	11.053	3
Manufacturing	77.633	405	76.062	455
Electricity & Gas Supply	7.995	1	10.865	3
Water Supply, Sewerage & Waste Management	-	-	2.020	2
Total	**100.0**	**407**	**100.0**	**463**

Data highlights

Industrial production hits a 23-month high

India's industrial production increased sharply to 7.3% YoY in Jun'26 from 5.1% in May, its fastest pace in 23 months. The growth was broad-based. Manufacturing, electricity, and, for the first time in months, mining all contributed positively to the headline growth.

Manufacturing continues to drive industrial growth

- Manufacturing, which carries over three-fourths of the weight in the IIP basket, expanded 7.8% YoY in Jun'26, up from 5.5% in May and remaining the primary contributor to headline growth. Of the 23 manufacturing industries, 19 registered growth, up from 16 in May, a genuine broadening of the expansion.
- The strongest contributors were electrical equipment, motor vehicles, and food products. Electrical equipment surged 34.0%, more than doubling its May pace, led by switchgear/circuit-breaker components, UPS and solid-state drives, and optical-fiber connectors. Motor vehicles grew 17.5%, driven by auto components, passenger cars, and commercial vehicles. Food products grew 10.8%, led by tea, non-basmati rice, and starch.
- Other sectors posting healthy growth included textiles (+13.7%), other non-metallic mineral products (+12.9%), computer, electronic & optical products (+12.6%), other transport equipment (+11.9%), other manufacturing (+11.7%), beverages (+12.5%), and furniture (+11.1%).
- Weakness was confined to a narrower band, including sectors like wood products (-7.4%), wearing apparel (-6.9%), coke & refined petroleum products (-0.5%), and chemicals (-0.3%), which remained in contraction, while pharmaceuticals barely held positive at +0.8%.

Investment cycle remains healthy

- The use-based classification continues to signal a healthy investment cycle. Capital goods output grew 14.2% YoY in Jun'26, moderating slightly from May's 15.5% but holding comfortably in double digits for a second consecutive month. It is still an encouraging read on machinery and equipment demand.
- Infrastructure & construction goods production grew 7.5% YoY in Jun'26, actually a step up from 6.6% in May and the first sequential pickup in this segment since the normalization that set in after the exceptionally strong Nov'25-Feb'26 run. One month doesn't confirm strong growth in the sector, but it's worth tracking whether this holds into July.

Consumer demand: durables steady, while non-durables picked up

- Consumer durables production grew 7.7% YoY in Jun'26, slightly lower than 8.0% in May, but it continues to reflect resilient urban discretionary spending.
- Consumer non-durables growth came in at 4.9% YoY. But this compares against a May'26 figure that has been revised down to -0.4% YoY in this release, from the 3.6% originally reported as a quick estimate. That's a meaningful swing (nearly 4 percentage points), and it changes the read on where rural/mass consumption actually stood heading into the monsoon. Taken at face value, June's bounce is encouraging, but given how much the prior month's print moved on revision, it's premature to treat the swing as a clean turnaround rather than base-effect noise. It is worth waiting for the next one or two prints, and the first revision of June itself, before updating the rural demand view.

Electricity generation stays strong

- The electricity and gas supply sector grew 10.6% YoY in Jun'26, again the fastest-growing major sector, picking up marginally from 10.3% YoY in May'26. Notably, the composition shifted with non-renewable generation growing 13.0% YoY, outpacing renewables at 7.3%, a reversal from May, when renewables (+18.0%) ran well ahead of non-renewable output (+8.8%). This likely reflects a higher renewable base a year on, alongside sustained thermal power demand to meet cooling demand through an extended hot summer. Gas supply remained a modest drag, contracting 0.1% (an improvement from the 7.1% decline in May).

Mining turns positive for the first time in five months

- Mining, the clearest drag on headline growth through most of FY26, swung to +1.0% YoY growth in June'26 from a 1.6% contraction in May. The move was driven almost entirely by metallic minerals, which surged 38.9% YoY (up from 18.3% in May), more than offsetting continued weakness in fuel minerals (-1.5%, an improvement from -6.4%) and a sharper-than-before decline in non-metallic minerals (-13.4%).
- The recovery is narrow and concentrated in one sub-segment.

Water supply and waste management maintain steady growth

- The Water Supply, Sewerage & Waste Management sector grew 6.1% YoY in June'26, from 5.5% in May'26. Sewerage & waste management led at +8.3%, while water supply grew a steadier +4.5%

Outlook:

- Domestically, monsoon distribution remains uneven, with persistent El Niño-linked risks to kharif output. The cumulative rainfall deficit stood at 16% below LPA (as of 27 July), and Kharif sowing stands at 4.7% YoY. Electricity generation should stay supported by cooling demand, but the June bounce in consumer non-durables will need confirmation before it changes the read on rural purchasing power. The underlying agricultural income risk remains.
- Globally, the bounce back in oil prices could prove negative to the strong manufacturing sector working through higher input costs, inflated inventory prices, and shipping backlogs. A durable reopening of the Strait of Hormuz cannot still be assumed as a base case.

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