Smriti Behl
Economic Intelligence Cell

Macro Insights

Analysis and Key Takeaways: Index of Industrial Production (IIP) July 2026

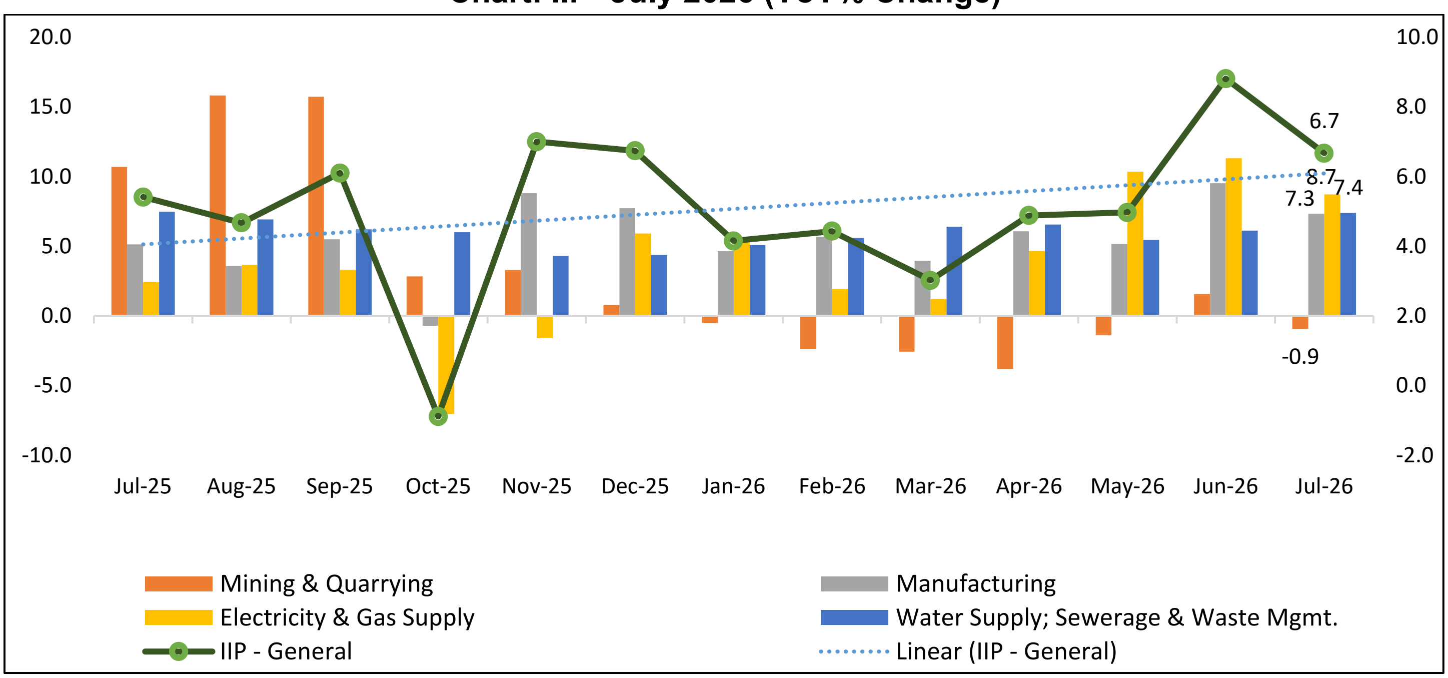
IIP growth decreases to 6.7% y-o-y in July 2026

Industrial output, as measured by Index of Industrial Production decelerated to 6.7% in Jul'26 compared to 8.8% growth in Jun'26.

Highlights

- *IIP growth in July was driven by manufacturing and electricity & gas supply.*
- *Growth in mining sector recorded a contraction in the month of Jul'26 after tepid growth in the previous month, dampened by monsoon disruption.*
- *Under use-based classification, five out of six segments recorded positive YoY growth rates in Jul'26. Consumer non-durables sector recorded a contraction of 1.0% during this period.*

Chart: IIP- July 2026 (YoY% Change)



Source: MoSPI

Smriti Behl
Economic Intelligence Cell

Table 1: IIP YoY growth % (Sector-wise)

Component	Weight (%)	Jul'25	Jun'26	Jul'26
Mining & quarrying	**11.0**	10.7	1.6	-0.9
Manufacturing	**76.1**	5.1	9.5	7.3
Electricity & Gas Supply	**10.9**	2.4	11.3	8.7
Water Supply, Sewerage & Waste Management	**2.0**	7.5	6.1	7.4
IIP Index -General	**100.0**	**5.4**	**8.8**	**6.7**

Table 2: IIP YoY growth % (Usage-wise)

Component	Weight (%)	Jul'25	Jun'26	Jul'26
Primary Goods	**31.1**	4.8	5.4	4.1
Capital Goods	**8.1**	5.9	17.9	16.1
Intermediate Goods	**22.4**	3.5	11.5	10.0
Infra/Construction Goods	**10.9**	11.2	8.8	6.9
Consumer Durables	**11.3**	3.9	10.3	10.5
Consumer non-durables	**16.2**	5.8	5.6	-1.0

Analysis and Views:

- Although IIP growth slowed to 6.7% in Jul'26, it was second the highest in the last 8 months under the revised series. Growth was driven by manufacturing and electricity & gas supply sectors. Manufacturing, which accounts for the largest share (76.1%) in IIP, grew 7.3% YoY in July providing the main impetus to overall growth.
- Within manufacturing, 19 out of 23 industry groups posted positive YoY growth in the month of July. The top 3 positive contributors for the month of July 2026 are – "Manufacture of motor vehicles, trailers and semi-trailers" (22.2% YoY), "Manufacture of electrical equipment" (28.3% YoY), and "Manufacture of machinery and equipment" (12.1% YoY).
- In the motor vehicles segment, auto components, spares & accessories, passenger cars and commercial vehicles were the major contributors to growth.
- The increase in electrical equipment industry group was powered by growth in electrical apparatus for switching or protecting electrical circuits, UPS and solid-state drives, and end-face connectors for optical fibres and cables.
- Within the machinery and equipment category, construction machinery, pumps and steam/ vapour, wind and other turbines were among the major contributors to the sector's expansion.
- The acceleration in electricity & gas supply sectors stood at 8.7%, largely driven by growth of conventional electricity output (which recorded 12.5% YoY growth) while growth in renewable electricity output moderated to 23-month low of 3.2%.
- The YoY expansion in sewerage and waste management (11.6%) outpaced that in the water supply segment (4.4%) for the seventh consecutive month in July 2026.

Smriti Behl
Economic Intelligence Cell

- As per data from use-based classification, Capital goods segment recorded double-digit increase (16.1% YoY growth) for the fourth consecutive month, underscoring the continued strength in industrial activity. Infrastructure and construction goods sector rose 6.9%, and intermediate goods sector grew 10.0%.
- In the consumer goods category, while durables (which include vehicles, appliances etc.) recorded 10.5% YoY growth, consumer non-durables (like food products, toiletries) fell by 1.0% showcasing divergence in household spending patterns.
- For the Apr-July period, IIP growth increased to 6.3% compared to 4.0% in the corresponding period last year.
- Going forward, the IIP is expected to remain range bound, drawing support from upcoming festive season demand and anticipation of subdued crude oil prices amidst moderating West Asia crisis. However, uneven rainfall distribution and sticky inflation could weigh down on IIP numbers.

****

For any feedback or valuable suggestions: *Reach us at* ***eicsmead@pnb.co.in***
Follow our Official Page www.pnb.bank.in