

India’s IIP Growth Moderates to 4.8% in January 2026: Manufacturing Slows, Infrastructure Remains Strong

The **Index of Industrial Production (IIP)** is a monthly economic indicator that measures the performance of Industrial Sectors and indicates growth or decline in industrial production compared to a base year (Currently 2011-12). The index is a volume-based measure which helps the government, economists, investors and analysts to gauge the health of the industrial sector.

The **new base year** for the Index of Industrial Production (IIP) will be updated to **2022-23**. This revised series is scheduled to be officially released by the Ministry of statistics and Programme implementation (MoSPI) on **28th May 2026** with **manufacturing and electricity segments likely attracting higher weights while mining is likely to see a reduction**.

Industrial Production (IIP): As per data released by the Ministry of Statistics & Programme Implementation (MoSPI), India’s **Index of Industrial Production (IIP)** recorded a **4.8% year-on-year growth in January 2026**, compared to **7.8% in December 2025**. The industrial sector remains in expansionary territory, but the growth momentum has eased. The decline in January suggests that December’s performance may have been supported by festive demand, year-end production push or base effects.

Overall IIP index: The **General Index stood at 169.4 in January 2026 (Dec 2025 170.7)**, up from 161.6 in January 2025, indicating continued expansion in industrial activity, though at a moderated pace. The slowdown was primarily driven by softer growth in **manufacturing and mining**, while **electricity generation improved significantly**.

Despite the moderation, the rise in the overall index value confirms that industrial production levels remain higher than last year. The data reflects resilience rather than contraction, pointing towards a stabilizing growth cycle rather than structural weakness.

Sector-wise Growth:

(Growth over the corresponding period of previous year in %)

Sector	Jan'25	Feb'25	Mar'25	Apr'25	May'25	Jun'25	Jul'25	Aug'25	Sep'25	Oct'25	Nov'25	Dec'25	Jan'26
Manufacturing	5.8	2.8	3.0	3.1	3.2	3.7	6.0	3.8	5.6	1.8	8.5	8.4	4.8
Mining	4.4	1.6	0.4	-0.2	-0.1	-8.7	-7.2	6.6	-0.4	-1.8	5.8	6.9	4.3
Electricity	2.4	3.6	6.3	1.7	-4.7	-1.2	3.7	4.1	3.1	-6.93	-1.5	6.3	5.1

Sector-Wise Performance Analysis

Sector Indices: Mining:157.2, Manufacturing:167.2 & Electricity:212.1 and overall IIP: 169.4.

Manufacturing: The manufacturing sector, which carries the highest weight (77.63%) in IIP, registered a **4.8% growth in January 2026**. Although positive, this marks a deceleration compared to the previous month. Within manufacturing, 14 out of 23 industry groups recorded positive growth, indicating that expansion was broad-based but uneven Index of Industrial Production.

The strongest contributors included the **manufacture of basic metals (13.2%)**, **motor vehicles and trailers (10.9%)** and **other non-metallic mineral products (9.9%)**. Growth in steel products such as alloy steel flats and MS slabs, higher commercial vehicle production and increased cement and clinker output were key drivers.

This pattern suggests that infrastructure and construction activities continue to support industrial growth. Strong automobile output, especially in commercial vehicles, reflects logistics, transport expansion and investment-linked demand rather than purely consumer-led growth.

However, the moderation in overall manufacturing growth indicates that private consumption demand may not be accelerating strongly and global headwinds could be influencing export-oriented industries.

Mining: The mining sector recorded a **4.3% growth in January 2026**, while growth remains positive, it shows limited acceleration compared to previous months.

Stable mining growth reflects steady demand for raw materials such as coal, iron ore and other minerals required for industrial production. However, the absence of strong acceleration suggests that heavy industrial expansion is not surging aggressively. The mining sector appears to be moving in line with moderate industrial demand rather than driving growth independently.

Electricity: Electricity generation grew by **5.1% in January 2026**, improving significantly from earlier trends. Electricity often acts as a forward indicator of economic activity, as higher production signals increased industrial operations and commercial usage.

The improved electricity growth indicates healthy operational activity in manufacturing and infrastructure sectors. It also reflects sustained demand from urban and industrial clusters. The electricity sector thus provided important support in offsetting the moderation seen in manufacturing.

Use-Based Classification Analysis

The use-based classification provides deeper insight into demand patterns across the economy.

Infrastructure and construction goods recorded a robust 13.7% growth, emerging as the strongest performing category. This clearly reflects the continued momentum in government capital expenditure, road construction, railways, housing and other public infrastructure projects.

Intermediate goods grew by 6.0%, indicating active production pipelines and ongoing industrial processes. **Capital goods registered 4.3% growth**, suggesting moderate but stable investment activity in machinery and equipment. This is a positive sign for future production capacity expansion.

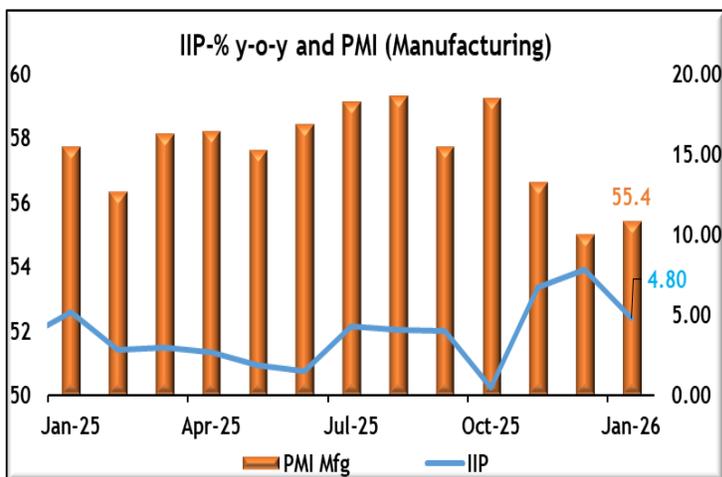
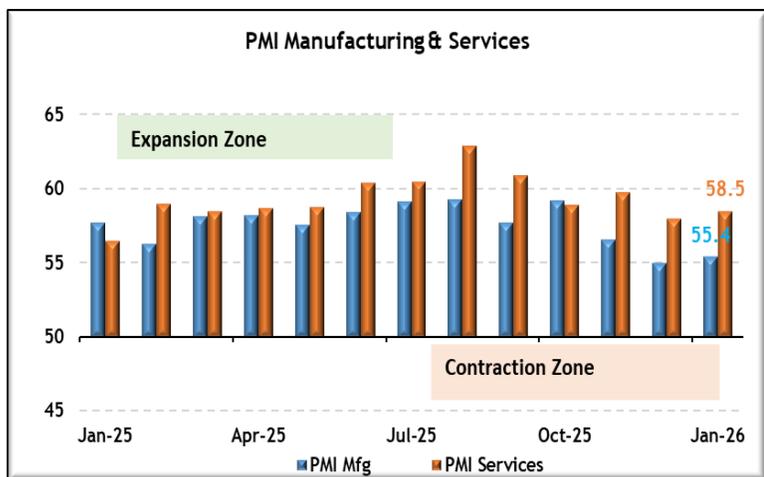
Primary goods grew at 3.1%, reflecting stable base-level production activity.

On the consumption side, **consumer durables expanded by 6.3%**, showing some resilience in discretionary demand. However, **consumer non-durables contracted by 2.7%**, which could indicate softness in rural demand or essential consumption segments. This divergence suggests uneven recovery in consumption demand across income segments.

Overall, the data indicates that growth is currently investment and infrastructure-driven rather than consumption-driven.

The **HSBC India Manufacturing PMI rose to 55.4 in January 2026** from 55.0 in December (revised down from the flash estimate of 56.8), signalling continued solid expansion in manufacturing activity.

Output and new orders grew at a faster pace, largely driven by strong domestic demand, while exports saw modest growth. Employment increased at the quickest rate in three months as firms responded to higher workloads. Input buying and inventories rose amid higher production needs and input costs increased at a four-month high, though still moderate historically. Output prices edged up slightly, limited by competition and efficiency gains. However, business confidence weakened sharply, falling to a three-and-a-half-year low, with only 15% of firms expecting higher output over the coming year.



IIP Growth Vs Bank Credit Growth Vs Core Industries Growth			
	IIP growth % (YoY)	Gross Bank Credit to Industry growth % (YoY)	Core industries growth % (YoY)
Jan-26	4.8	12.1	4
Dec-25	7.8	13.3	3.7
Nov-25	7.2	9.6	2.1
Oct-25	0.4	10	-0.1
Sep-25	4	7.3	3.3
Aug-25	4	6.5	6.5
Jul-25	4.3	6	3.7
Jun-25	1.5	5.5	2.2
May-25	1.9	4.8	1.2
Apr-25	2.6	6.6	1
Mar-25	3.0	7.8	4.5
Feb-25	2.7	7.1	3.4
Jan-25	5.2	8.0	5.1

Source: RBI & PIB

The latest data shows that industrial growth remains moderate despite strong credit expansion, indicating that bank lending continues to grow faster than actual industrial output.

In Jan-26, IIP growth stood at 4.8% YoY, lower than 7.8% in Dec-25, while bank credit to industry grew at 12.1%, suggesting that credit flow to the industrial sector remains robust even though production growth has softened. This divergence indicates that part of the credit growth may be supporting working capital needs, infrastructure projects or sectors with longer gestation periods rather than immediate output expansion.

Core industries growth improved to 4.0% in Jan-26 from 3.7% in Dec-25, showing some recovery in key infrastructure sectors such as steel, cement, electricity and refinery products. However, the core sector growth remains below the pace of bank credit growth, highlighting that capacity creation and investment cycle are still gradual rather than broad-based.

During FY25, industrial growth showed volatility, with IIP falling to 0.4% in Oct-25 while credit growth was improving, indicating that industrial activity is yet to fully catch up with the strong credit cycle.

Overall, the trend suggests that Credit growth continues to support industrial activity, Government-led infrastructure spending is playing a key role in sustaining core sector growth. Private sector investment recovery remains gradual, Industrial expansion is positive but not yet strong enough to match the pace of financial sector

lending. This pattern is consistent with the current phase of the cycle where financial conditions are supportive, but real sector momentum is still stabilising.

Implications:

The January IIP data reflects a balanced but moderated industrial expansion. The strong growth in infrastructure goods clearly highlights the role of government capex in sustaining industrial momentum. Manufacturing remains positive, but the slowdown signals cautious private sector activity.

The contraction in consumer non-durables raises some concern regarding rural and mass-market demand conditions. If consumption remains weak, it could limit the pace of manufacturing acceleration in coming months.

However, the continued growth in capital goods and intermediate goods suggests that investment activity has not stalled. Electricity growth further reinforces the presence of active industrial operations.

For the banking system, the data presents a broadly supportive outlook. Strong infrastructure growth implies sustained demand for project finance, term loans and working capital facilities. Sectors such as steel, cement, automobiles and construction are likely to continue borrowing for capacity utilization and expansion.

Moderate capital goods growth indicates that investment credit demand is stable, supporting corporate lending portfolios. Asset quality risks in manufacturing-linked exposures remain contained as long as output continues to expand.

However, the contraction in consumer non-durables suggests that retail credit growth linked to rural demand and FMCG-related segments may need monitoring. Banks may continue to see stronger traction in infrastructure and industrial segments compared to pure consumption lending.

Overall, the IIP data supports continued industrial credit growth with manageable risk levels.

Conclusion

The January 2026 IIP data reflects moderation but not weakness. Industrial production remains in expansion mode, though the pace has slowed from December's high levels. Growth is being primarily driven by infrastructure and construction activity, supported by stable manufacturing and improving electricity generation.

The data signals a capex-led growth structure with gradual investment recovery and uneven consumption momentum. If infrastructure spending continues and private investment strengthens, industrial growth is likely to remain stable in upcoming quarters.

For the economy and banking sector, the outlook remains constructive, with infrastructure and manufacturing sectors continuing to anchor industrial expansion.

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