Industrial Output Accelerates to 5.1% in May, Signalling Robust Momentum

Summary

India's industrial sector posted a solid 5.1 per cent year-on-year growth in May 2026, according to the latest Index of Industrial Production (IIP) data released by the Ministry of Statistics and Programme Implementation using the refined Output PPI deflator. Manufacturing, the backbone of the index, expanded 5.5 per cent, powered by strong performances in electrical equipment (20.8%), motor vehicles (14.5%), and basic metals. Electricity and gas supply recorded an impressive 9.9 per cent jump, while water supply and waste management also grew 5.5 per cent.

Capital goods — a key lead indicator of investment — surged 12.9 per cent, pointing to rising capex activity even as mining contracted 1.6 per cent. With broad-based gains across use-based categories, the data underscores resilient industrial recovery and augurs well for the ongoing economic expansion.

Industrial Production (IIP): India's industrial performance showed a growth rate of 5.1% in May 2026, with the Index of Industrial Production (IIP) expanding at 5.1% year-on-year.

The Industrial output growth inched slightly from the 4.9% recorded in April 2026, which is driven heavily by a massive structural methodology shift and a surge in utility generation.

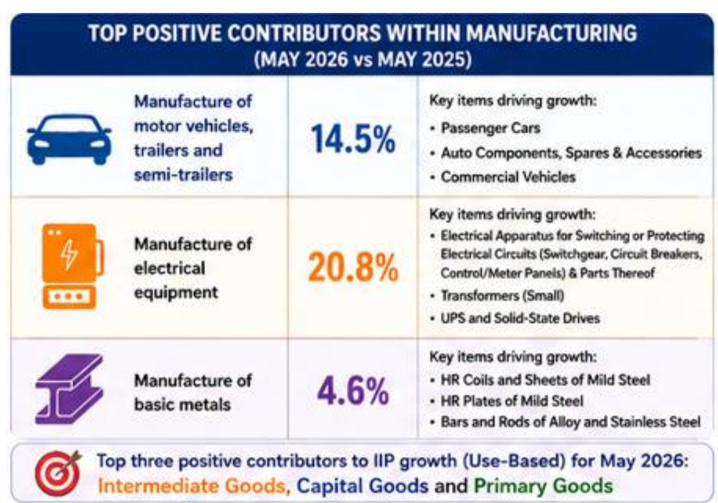
On a yearly basis, the index increased from 116.7 in May 2025 to 122.7 in May 2026, reflecting a continued rise in production levels. The upgradation from 4.9% in April, 2026 to 5.1% in May, 2026 suggests industrial activity picked up modestly in May rather than jumping sharply.

I. Sector-Wise Performance Analysis

The **sector-wise performance** of IIP in May 2026 shows a broadly positive industrial picture, led by manufacturing and electricity, while mining remained weak.

II. Contributors Within Manufacturing :

India’s manufacturing sector recorded a healthy 5.5 per cent year-on-year growth in May 2026, contributing significantly to the overall IIP expansion of 5.1 per cent under the revised Output PPI series. Out of 23 industry groups at the 2-digit NIC level, 16 posted positive growth, reflecting broad-based resilience. The performance was led by high-impact segments: Electrical Equipment surged 20.8 per cent, driven by strong demand for switchgear, transformers, UPS systems and control panels; Motor Vehicles, Trailers and Semi-trailers grew 14.5 per cent, supported by passenger cars, auto components and commercial vehicles; while Basic Metals advanced 4.6 per cent on higher production of HR coils, plates and alloy steel products.



III. IIP As per Use-Based Classification Analysis

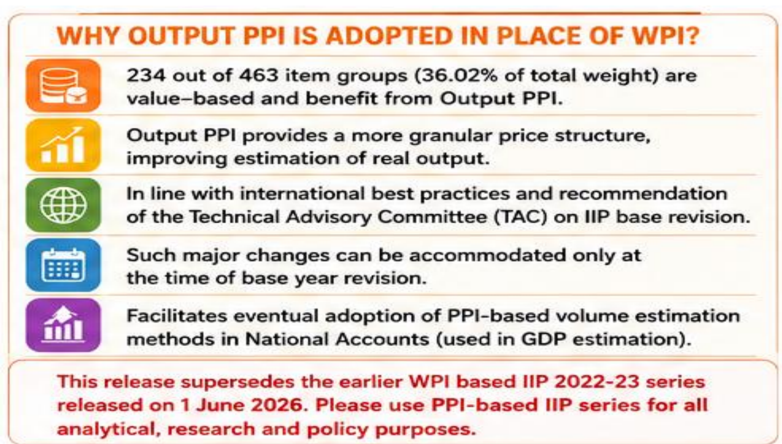
The new IIP series classifies output into six use-based groups, and for May 2026 the strongest contributors were **Capital Goods**, **Consumer Durables**, and **Infrastructure & Construction Goods**.

Which suggests the May expansion was not just consumption-led; it also had a clear investment and production-chain component, especially through capital goods and intermediate goods. The relatively weaker growth in primary goods and mining also shows that the headline improvement came more from manufacturing and electricity than from raw-material extraction.

Use-based classification helps show where industrial momentum is coming from: whether firms are investing, consumers are spending, or construction activity is rising.

IV. Adoption of Output PPI (Producer Price Index) in Place of WPI :

The decision of the Ministry of Statistics and Programme Implementation (MoSPI) to replace the **Wholesale Price Index (WPI)** with the **Output Producer Price Index (Output PPI)** as the deflator for the **Index of Industrial Production (IIP) (Base Year: 2022-23)** is a significant methodological improvement and brings India's industrial statistics closer to international best practices.



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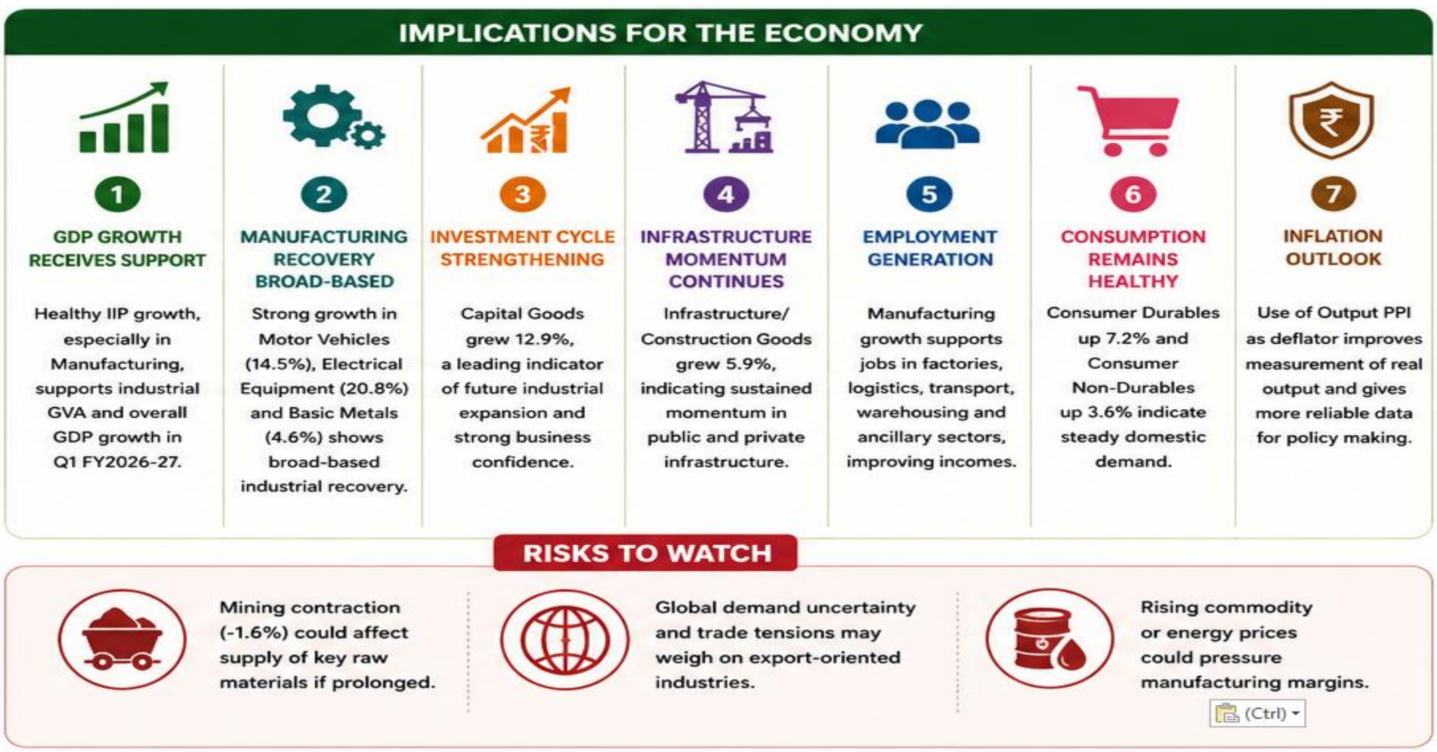
V. Implications for Banking & Economy :

The 5.1% IIP growth in May 2026 reflects a healthy expansion in India's industrial sector, driven by manufacturing and capital goods. For banks, it signals stronger credit demand, improved corporate cash flows, and better asset quality.

For the broader economy, it reinforces expectations of sustained GDP growth, continued investment, and resilient domestic demand, although the contraction in mining and external risks warrant continued monitoring.



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