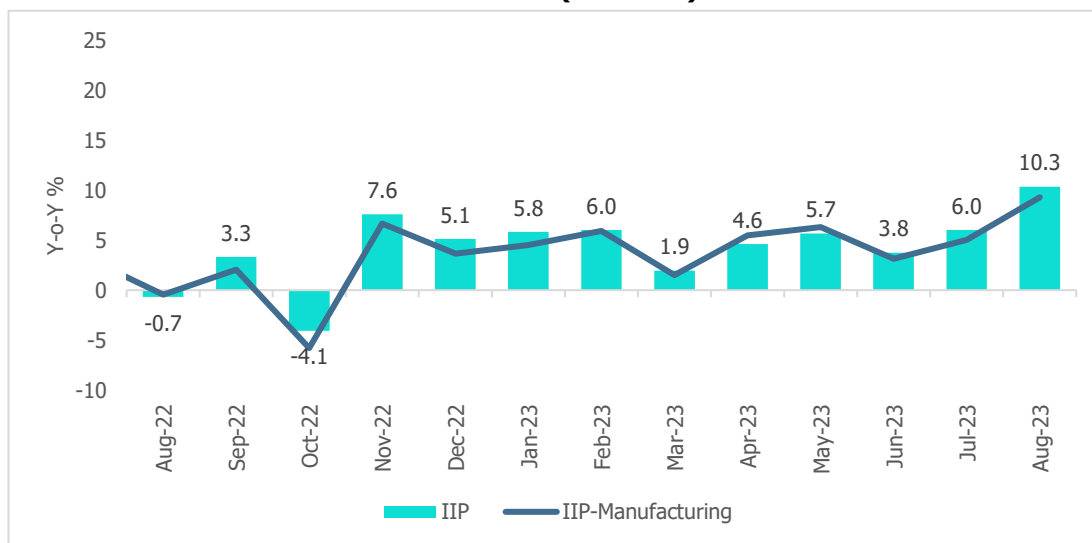


# IIP Puts Up a Strong Show, Rises By 10.3% in August

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India's industrial activity accelerated further to 10.3% in August, marking the highest reading in the last 14 months. This is in line with the upbeat core sector growth of 12.1% in August and marginally better than our forecast of 9.1%. A supportive base and healthy growth across the mining, manufacturing and electricity sectors aided this performance. Within the use-based classification, the encouraging aspect was the improvement seen in both consumer durables as well as non-durables, even while Infrastructure/Construction goods continued to record robust growth.

**Exhibit 1: Index of Industrial Production (Y-o-Y %)**



Source: MOSPI

The manufacturing sector staged a strong show rising by 9.3% in August from 5% in July. A category-wise analysis shows that 16 out of 23 categories logged an increase in output compared to a year-ago level. Basic metals, which is the largest component within manufacturing (constituting a weight of 12.8%) continued to log a double-digit growth rising by 15.7% in August. The healthy manufacturing growth was further supported by double-digit growth in the mining and electricity sectors at 12.3% and 15.3%, respectively bolstering the overall industrial activity.

The infrastructure and construction goods segment extended its streak of double-digit growth (at 14.9% in August) for the fifth successive month. Public capex has been strong in Q1 FY24 with Centre and state capex growing by 59% (YoY) and 76% (YoY), respectively. Going ahead, the encouraging public capex and signs of improvement in private capex remain tailwinds for the infrastructure-related sectors. From the consumption perspective, output of consumer durables rebounded with growth of 5.7% in August following two successive months of contraction. Consumer non-durables continued to record a healthy growth increasing by 9% in August compared to 7.9% in the previous month.

**Table 1: Component-wise Breakup of IIP Growth (Y-o-Y %)**

	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23
Sectoral								
Mining & quarrying	9.0	4.8	6.8	5.1	6.4	7.6	10.7	12.3
Manufacturing	4.5	5.9	1.5	5.5	6.3	3.1	5.0	9.3
Electricity	12.7	8.2	-1.6	-1.1	0.9	4.2	8.0	15.3
Use-based								
Primary goods	9.8	7.0	3.3	1.9	3.6	5.3	7.6	12.4
Capital goods	10.5	11.0	10.0	4.4	8.1	2.0	4.5	12.6
Intermediate goods	1.4	1.0	1.8	1.7	3.4	4.6	2.4	6.5
Infrastructure/construction goods	11.3	9.0	7.2	13.4	13.0	12.9	12.4	14.9
Consumer durables	-8.2	-4.1	-8.0	-2.3	1.5	-6.7	-2.6	5.7
Consumer non-durables	6.5	12.5	-1.9	11.4	8.9	0.3	7.9	9.0
<b>Industrial Output</b>	<b>5.8</b>	<b>6.0</b>	<b>1.9</b>	<b>4.6</b>	<b>5.7</b>	<b>3.8</b>	<b>6.0</b>	<b>10.3</b>

Source: MOSPI

**Way Forward**

Urban demand has been holding up well as seen in indicators such as GST collections, e-way bills generation, domestic passenger traffic, sales of passenger vehicles and retail credit growth. Going ahead, the upcoming festive season could provide an impetus to the consumption scenario in the economy. The moderation in retail inflation is also comforting and could provide a boost to consumption, even though high inflation in some of the food items remains concerning. Rural demand though improving could face headwinds from skewed monsoon. Thus, the unfolding of domestic consumption remains critical for industrial activity in the medium term. The healthy momentum seen in Infrastructure/Construction goods is likely to be maintained and will be supportive of industrial growth in the months to come.

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