# IIP Growth Slowed to 5.8% in September

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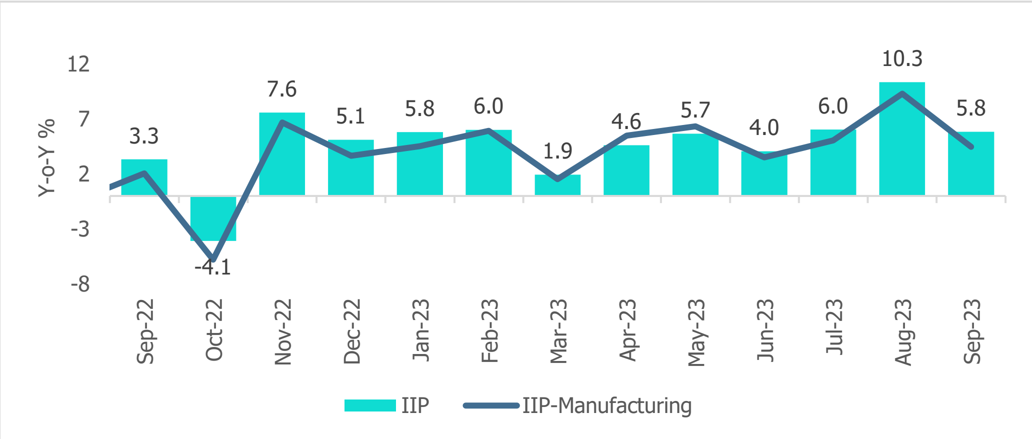
India's industrial production increased by 5.8% in September, unexpectedly moderating from August's 14-month high of 10.3%. Sharp sequential deceleration seen in the manufacturing and electricity sectors weighed on the overall IIP growth during the month. The other concerning aspect was the sharp slowdown seen in consumer goods output, with only modest growth seen in the consumer durables component. During the first six months of the current fiscal, industrial output grew by 6.1% compared to the 7% growth in the corresponding period last year.

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




Source: MOSPI

The manufacturing output eased to a three-month low of 4.5% (y-o-y) in September with a contraction observed sequentially. Year-on-year growth was seen in 14 out of 23 categories. Within the major manufacturing components, output of basic metals (constituting a weight of 12.8%) continued to log double-digit growth rising by 12.5% in September. Output of chemicals and chemical products (7.9% weight) fell by 5.6% in September recording a contraction for the fifth month in a row. Export-intensive components showed a lacklustre performance with output of wearing apparel contracting by a sharp 17.9% and leather and related products showing a flat reading during the month. Encouragingly the output of textiles rose by 3.7%. Among other components, computer and electronics have shown persistent weakness contracting by 8.9% in September. Electricity output increased by 9.9% (y-o-y) in September, however, this masked the sharp sequential contraction of 6.6%. While manufacturing and electricity output weakened during the month, mining output increased by a healthy 11.5% logging double-digit growth for third month in a row.

Within the use-based classification, output of infrastructure and construction goods grew by 7.5% in September slowing from the double-digit growth seen in the last five months. This sector continues to gain on the back of healthy public capex which increased by more than 45% in H1 FY24. Infrastructure-intensive sectors (railways and roads) were the drivers of Centre's capex in H1 with a share of nearly 60% in the total capex. The production of consumer goods decelerated sharply, with modest growth of only 1% seen in the consumer durables component. Output of consumer non-durables increased by 2.7% in September, sharply lower compared to 9.6% growth in the previous month.

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

| | Apr-23 | May-23 | Jun-23 | Jul-23 | Aug-23 | Sep-23 | H1-FY24 |
|---|---|---|---|---|---|---|---|
| Sectoral | | | | | | | |
| Mining & quarrying | 5.1 | 6.4 | 7.6 | 10.7 | 12.3 | 11.5 | 8.7 |
| Manufacturing | 5.5 | 6.3 | 3.5 | 5.0 | 9.3 | 4.5 | 5.7 |
| Electricity | -1.1 | 0.9 | 4.2 | 8.0 | 15.3 | 9.9 | 6.1 |
| Use-based | | | | | | | |
| Primary goods | 1.9 | 3.6 | 5.3 | 7.6 | 12.4 | 8.0 | 6.3 |
| Capital goods | 4.4 | 8.1 | 2.9 | 4.5 | 13.1 | 7.4 | 6.7 |
| Intermediate goods | 1.7 | 3.4 | 5.2 | 2.4 | 6.8 | 5.8 | 4.2 |
| Infrastructure/construction goods | 13.4 | 13.0 | 13.3 | 12.4 | 13.5 | 7.5 | 12.2 |
| Consumer durables | -2.3 | 1.5 | -6.8 | -2.6 | 5.8 | 1.0 | -0.7 |
| Consumer non-durables | 11.4 | 8.9 | 0.5 | 7.9 | 9.6 | 2.7 | 6.8 |
| **Industrial Output** | 4.6 | 5.7 | 4.0 | 6.0 | 10.3 | 5.8 | 6.1 |

Source: MOSPI

**Way Forward**

So far in the current fiscal, while the infrastructure-related sectors have been doing well, slowing global growth and downside risks to rural demand have posed a challenge for industrial activity. Though the continued moderation in inflationary pressure offers some comfort, pain points in the form of elevated prices of select food items continue to persist. The risks are further amplified by weather-related uncertainties and estimated lower Kharif output. Going ahead, a broad-based and durable improvement in consumption remains critical for the momentum in industrial activity going forward.

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