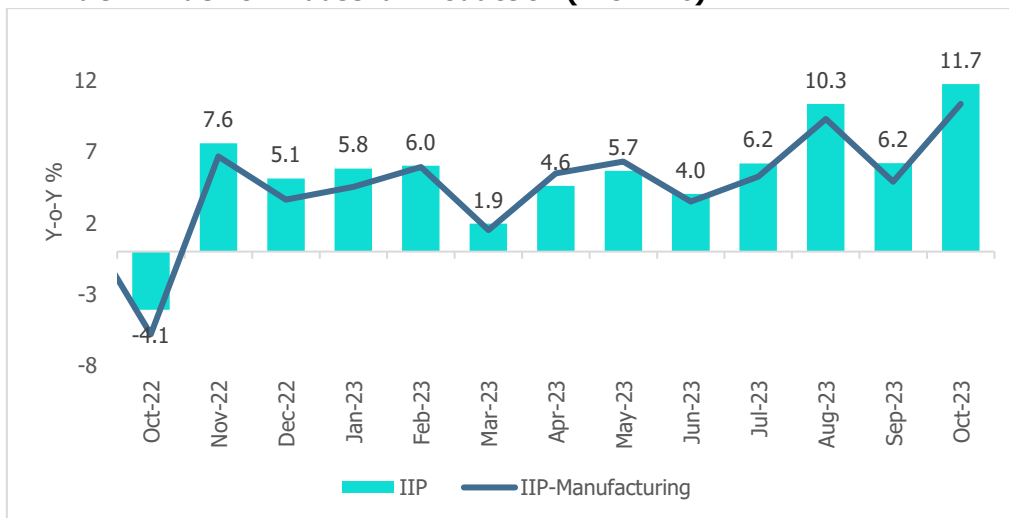


IIP Growth Up 11.7% in October Boosted by a Favourable Base

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India’s industrial activity accelerated to a 16-month high of 11.7% in October (following 6.2% growth last month) underpinned by the statistical effect of a low base. This is better than our projection of 8.5% growth. While the growth number for the month was largely on account of a supportive base, some improvement in momentum (at 1.8%) is a positive.

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



Source: MOSPI

Manufacturing output increased by 10.4% in October following a growth of 4.9% in the previous month. A decomposition of the growth number by base-effect and momentum reveals that growth has been primarily driven by a favourable base along with a marginal improvement in momentum. A component-wise evaluation reveals that an annual (y-o-y) increase in output was witnessed in 19 out of 23 categories. Basic metals (major component with a weight of 12.8%) logged double-digit growth for the seventh successive month rising by 11.9% in October. Among export-intensive components, an uptick was seen in growth of textiles (6.6%) and leather and related products (16.5%) while output of wearing apparel continued to remain in the contractionary territory. Among the discretionary purchase components, output of computer, electronic and optical products have shown persistent weakness staying in the contractionary zone for the eleventh successive month. However, continued optimism is visible in the automobile component (motor-vehicles, trailers and semi-trailers) recording double-digit growth for the third month in a row.

Within the use-based classification, output of infrastructure and construction goods grew by 11.3% in October. This sector has been witnessing an upbeat performance buoyed by healthy public capex. On the consumption front, favourable base has propped up growth in both consumer durables (at 15.9%) and non-durables (at 8.6%) masking the weakness in momentum. Thus, both these components are yet to show a durable improvement.

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

	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23
Sectoral							
Mining & quarrying	5.1	6.4	7.6	10.7	12.3	11.5	13.1
Manufacturing	5.5	6.3	3.5	5.3	9.3	4.9	10.4
Electricity	-1.1	0.9	4.2	8.0	15.3	9.9	20.4
Use-based							
Primary goods	1.9	3.6	5.3	7.7	12.4	8.0	11.4
Capital goods	4.4	8.1	2.9	5.1	13.1	8.4	22.6
Intermediate goods	1.7	3.4	5.2	3.2	6.8	6.1	9.7
Infrastructure/construction goods	13.4	13.0	13.3	12.6	13.5	8.9	11.3
Consumer durables	-2.3	1.5	-6.8	-3.6	5.8	1.1	15.9
Consumer non-durables	11.4	8.9	0.5	8.3	9.6	3.0	8.6
Industrial Output	4.6	5.7	4.0	6.2	10.3	6.2	11.7

Source: MOSPI

Way Forward

Going ahead, while the prospects of infrastructure and construction goods segment remain encouraging, the strong base effect has masked the weakness in the consumer goods segment. The inching up of inflationary pressures, lower Kharif production and uncertain prospects of Rabi output are headwinds for the consumption scenario. Additionally, given the weak global demand outlook, the trajectory of industrial activity hinges on a durable consumption recovery.

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