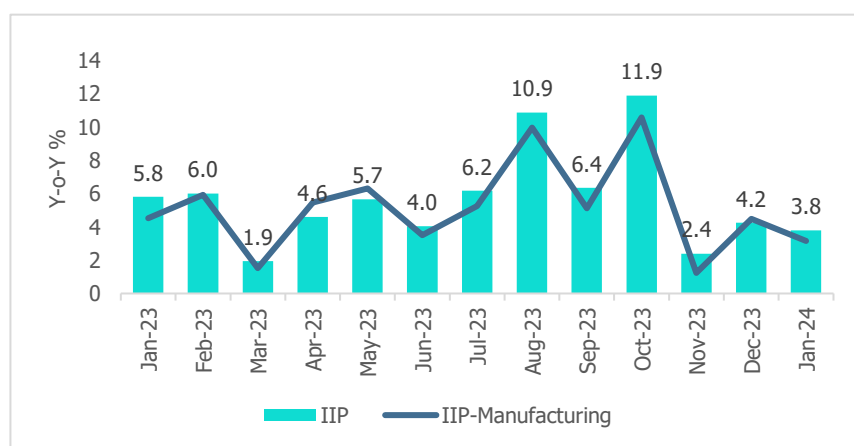


IIP Growth Eased to 3.8% in January 2024

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India's industrial production eased to 3.8% in January, following an upwardly revised growth of 4.2% in December. The growth has come lower than our projection of 4.2%. This can be attributed to the moderation in manufacturing output to 3.2% following 4.5% growth in the previous month. However, this was partially offset by the improvement in output of the mining and electricity sectors. Within the use-based classification, consumer goods segment showed a mixed picture. While the output of consumer durables increased sharply by 10.9% on the back of a favourable base, the non-durables output contracted signalling weakness in consumption.

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



Source: MOSPI

Manufacturing output rose by 3.2% in January, moderating from 4.5% in December. A component-wise analysis showed that a total of 14 out of 23 sub-components witnessed a year-on-year rise in output. Among the major manufacturing items, output of basic metals rose by a modest 5.8% (Vs 8.3% in December) whereas output of coke & refined petroleum products contracted by 2.2% following 7.3% growth in December. These two components together account for ~24.6% weight in the total manufacturing output. Among the export-intensive components, improvement was seen in output of textiles which rose by 3.1% (Vs 1.5% in December) and leather products with growth of 0.5% (Vs -2.1% in December). However, output of wearing apparel fell by 1.6% continuing in the contractionary zone. Output of automobiles (i.e. motor vehicles, trailers, and semi-trailers) grew by a strong 18% in January (Vs 9.8% in December).

From the consumption perspective, performance of consumer durable goods was propped up by a favourable base with output rising sharply by 10.9% compared to last month's 5.3%. On the other hand, output of consumer non-durables contracted by 0.3% following growth of 2.4% in the previous month. The subdued performance of consumer non-durables in the past few months remains concerning. Among other categories, output of infrastructure and construction goods increased by 4.6% in January as against 5.1% growth in December. Given the Centre's sustained thrust on capex led growth, we remain optimistic about the prospects for infrastructure/construction related segments. Output of capital goods also witnessed an improvement to 4.1% in January from the previous month's 3.6%.

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	Nov-23	Dec-23	Jan-23
Sectoral										
Mining & quarrying	5.1	6.4	7.6	10.7	12.3	11.5	13.1	7.0	5.2	5.9
Manufacturing	5.5	6.3	3.5	5.3	10.0	5.1	10.6	1.2	4.5	3.2
Electricity	-1.1	0.9	4.2	8.0	15.3	9.9	20.4	5.8	1.2	5.6
Use-based										
Primary goods	1.9	3.6	5.3	7.7	12.4	8.0	11.4	8.5	4.8	2.9
Capital goods	4.4	8.1	2.9	5.1	13.1	8.4	21.7	-1.1	3.6	4.1
Intermediate goods	1.7	3.4	5.2	3.2	7.4	6.1	9.5	3.1	3.9	4.8
Infrastructure/construction goods	13.4	13.0	13.3	12.6	15.7	10.1	12.6	1.7	5.1	4.6
Consumer durables	-2.3	1.5	-6.8	-3.6	6.0	1.0	15.9	-5.5	5.3	10.9
Consumer non-durables	11.4	8.9	0.5	8.3	9.9	2.7	9.3	-3.3	2.4	-0.3
Industrial Output	4.6	5.7	4.0	6.2	10.9	6.4	11.9	2.4	4.2	3.8

Source: MOSPI

Way Forward

Going ahead, we remain optimistic about the prospects of the infrastructure/construction related segments given the government's strong capex push. On the consumption front, a durable and broad-based improvement remains crucial for industrial activity. With retail inflation moderating, it remains to be seen if this gets reflected in an improvement in consumption.

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