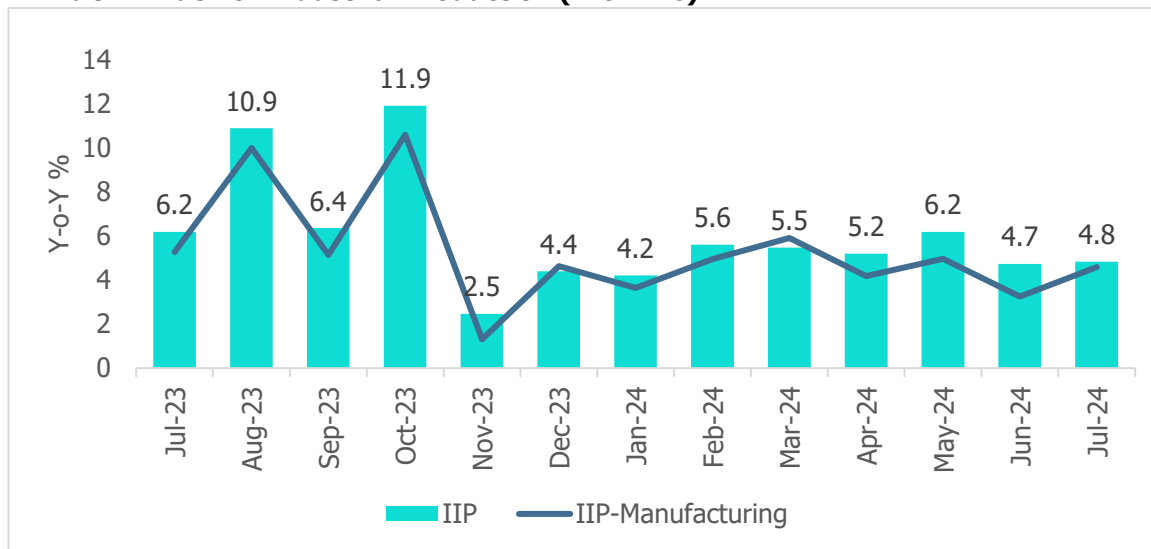


IIP Growth Increased to 4.8% in July 2024

September 12, 2024 | Economics

In line with our expectations, growth in India's industrial production accelerated to 4.8% in July from an upwardly revised growth of 4.7% last month. While growth in the electricity and mining sectors moderated, manufacturing sector growth remained healthy. Consumption-related segments painted a mixed picture, as output of consumer durable goods increased by 8.2%, whereas growth in output of non-durable goods contracted by 4.4%. A broad-based recovery in the private consumption remains crucial for the industrial activity to pick up in the upcoming months. On the brighter side, Q1 GDP data shows a recovery in private consumption expenditure compared to the last year.

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



Source: MOSPI

Manufacturing output logged a growth of 4.6% in July following a growth of 3.2% in the previous month. Year-on-year increase in output was seen in 17 out of 23 subcategories. Within manufacturing, output of the largest component, i.e. basic metals (weight of 12.8%) remained healthy with a growth of 6.4%. In context of the export-intensive components, output of wearing apparel rose by 7.3% while output of leather and related products recorded a growth of 6.9%, reversing from a contraction in the previous month.

Among other major sub-categories, growth in output of coke and refined petroleum products accelerated to 6.9% (Vs -0.8% in June) and output of chemicals improved to 4.7% following a marginal growth of 1.0% in the previous month. Electricity and mining sector output moderated to 7.9% (Vs 8.6% in June) and 3.7% (Vs 10.3% in June) respectively. Improvement in monsoon compared to last year has impacted mining activities.

Within the use-based classification, growth in output of infrastructure and construction goods moderated to 4.9% (Vs 7.1% in June). While government's capital expenditure has been upbeat, a notable improvement in private capex is yet to be seen. In terms of consumption, output of consumer durables grew by 8.2%, while non-durables output remained in the contractionary zone, falling by 4.4%.

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

	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24
Sectoral						
Mining & quarrying	8.1	1.3	6.8	6.6	10.3	3.7
Manufacturing	4.9	5.9	4.2	5.0	3.2	4.6
Electricity	7.6	8.6	10.2	13.7	8.6	7.9
Use-based						
Primary goods	5.9	3.0	7.0	7.3	6.3	5.9
Capital goods	1.7	7.0	2.8	2.9	3.8	12.0
Intermediate goods	8.6	6.1	3.8	3.9	3.0	6.8
Infrastructure/construction goods	8.3	7.4	8.5	6.3	7.1	4.9
Consumer durables	12.6	9.5	10.5	12.6	8.7	8.2
Consumer non-durables	-3.2	5.2	-2.5	2.5	-1.5	-4.4
Industrial Output	5.6	5.5	5.2	6.2	4.7	4.8

Source: MOSPI

Way Forward

With respect to the consumption scenario, an improvement in kharif sowing amidst a good monsoon bodes well for the private consumption demand. However, spatial distribution of the monsoon continues to remain skewed. On a positive note, the Q1 GDP data indicates an increase in private consumption expenditure compared to the previous year. Overall, a sustained improvement in consumption and private capex remains critical for the performance of industrial activity.

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