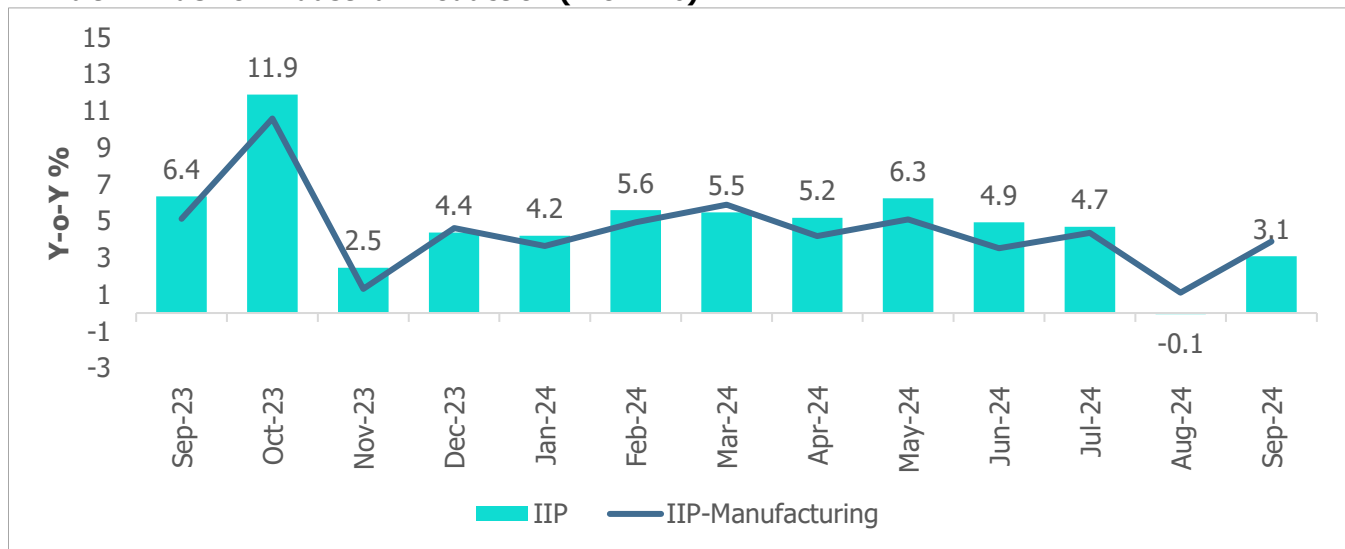


# IIP Growth Rebounded to 3.1% in September 2024

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In line with our expectation, growth in India's industrial output rebounded to 3.1% in September, recovering from a 0.1% contraction in the previous month. The recovery was primarily supported by an improvement in the manufacturing sector output, which grew by 3.9% compared to 1.1% in August. Additionally, mining and electricity output reversed from a contraction in the previous month, growing by 0.2% and 0.5% respectively, further supporting the IIP rebound. The output of consumer durable and non-durable goods increased by 6.5% and 2%, respectively. A durable and broad-based consumption improvement remain crucial for the industrial activity in the upcoming months.

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



Source: MOSPI

Growth in the manufacturing sector output accelerated to 3.9% in September, up from 1.1% in August. Year-on-year increase was seen in 18 out of 23 subcategories. Within manufacturing, output of the largest component, i.e., basic metals (weight of 12.8%) grew by 2.5% (Vs 3.3% in August). In the context of export-intensive components, output of textiles and wearing apparel logged a growth of 1.1% (Vs 2.2% in August) and 0.1% (Vs 14% in August), respectively. Among other sub-categories, output of coke and refined petroleum products recorded a healthy growth of 5.3%, reversing from a contraction of 0.7% in the previous month. Moreover, the mining and electricity output recorded a marginal growth of 0.2% and 0.5%, respectively, reversing from a contraction in the prior month.

Within the use-based classification, the output of infrastructure and construction goods grew by 3.3% as compared to 2.2% in August. The capex picture has been muted in the fiscal year so far on account of the election-related restrictions, subdued domestic demand, and geopolitical uncertainties. Improvement in public and private capex is critical for the performance of infrastructure related segments. The output of consumer durable and non-durable goods increased by 6.5% (Vs 5.3% in August) and 2% (Vs -4.5% in August), respectively. However, the performance of consumption-related segments requires close monitoring given signs of softening urban demand. Elevated inflationary pressures, especially the food prices, continue to remain a challenge for the consumption scenario.

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

	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24
Sectoral						
Mining & quarrying	6.8	6.6	10.3	3.8	-4.3	0.2
Manufacturing	4.2	5.1	3.5	4.4	1.1	3.9
Electricity	10.2	13.7	8.6	7.9	-3.7	0.5
Use-based						
Primary goods	7.0	7.3	6.3	5.9	-2.6	1.8
Capital goods	2.8	2.6	3.6	11.8	0.5	2.8
Intermediate goods	3.8	3.5	3.2	6.4	3.0	4.2
Infrastructure/construction goods	8.5	7.6	8.2	4.6	2.2	3.3
Consumer durables	10.5	12.6	8.8	8.3	5.3	6.5
Consumer non-durables	-2.5	2.8	-1.0	-4.3	-4.5	2.0
<b>Industrial Output</b>	<b>5.2</b>	<b>6.3</b>	<b>4.9</b>	<b>4.7</b>	<b>-0.1</b>	<b>3.1</b>

Source: MOSPI

**Way Forward**

IIP growth so far in the current fiscal year stands at 4% (y-o-y), compared to 6.3% in the same period last year. A broad-based recovery in consumption remains vital for the industrial activity going forward. In this context, recent signs of softening urban demand warrant close monitoring. Additionally, the acceleration in retail inflation to a 14-month high in October and the high food prices pose a challenge for consumption scenario. Overall, with external demand showing muted performance, the industrial activity's performance hinges on a durable recovery in domestic consumption and investment.

## Contact

Rajani Sinha	Chief Economist	rajani.sinha@careedge.in	+91 - 22 - 6754 3525
Akanksha Bhende	Associate Economist	akanksha.bhende@careedge.in	+91 - 22 - 6754 3424
Khushi Jindal	Associate Economist	khushi.jindal@careedge.in	+91 - 22 - 6754 3568
Mradul Mishra	Media Relations	mradul.mishra@careedge.in	+91 - 22 - 6754 3596

## CARE Ratings Limited

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022  
Phone : +91 - 22 - 6754 3456 | CIN: L67190MH1993PLC071691

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