

Industrial output climbs to 8-month high

India's industrial output expanded at a much faster pace to 7.1% in Apr'22 (2.2% in Mar'22) on the back of base effect. Broad based improvement was seen across sectors, with mining and manufacturing output edging upwards. Electricity output clocked double digit growth. Output of primary, intermediate, capital and consumer goods edged upwards. With economic recovery in full-swing, cyclical headwinds continue to pose downside risk to this recovery.

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IIP growth inch up: Industrial output rose to 8-month high of 7.1% in Apr'22 from 2.2% in Mar'22 led by improvement across all the sectors and base effect. Last year, during this period the second wave of Covid-19 was prevalent and state-wide restrictions were imposed, pushing the industrial growth on a downhill. Mining sector edged upwards to 6-month high of 7.8% in Apr'22 (3.9% in Mar'22). Manufacturing output also crept up to 8-month high to 6.3% with over 18 sectors registering an improvement. Electricity output (11.8% in Apr'22 from 6.1% in Mar'22) continued to track upwards momentum on the back of the pickup in economic activity, reflecting stronger demand. Notably, over a 2-year horizon, IIP index is 150.2% above the pre-pandemic level in Apr'22 compared with a growth of 27% in Mar'22. Mining and electricity output too edged upwards to 47.2% (10.2% in Mar'22) and 54.9% (30% in Mar'22) in Feb'22. Furthermore, Manufacturing output also turned out to be above the pandemic level (214.7% in Mar'22).

Manufacturing sector in recovery mode: Within the 23 broad sectors covered, 18 sectors under manufacturing reported improvement in Output in Apr'22. Amongst these, output of wearing apparels, furniture, electrical equipment, food products, computer and electrical equipment, as well as tobacco products gained the most. On the other hand, following sectors namely non-metals (8% from 9.8% in Mar'22), basic metals (6.8% from 7.3% in Mar'22) and other manufacturing products dropped the most in Apr'22.

Infra a weak link Within use-based classification, broad based improvement was seen across all the sectors. Primary goods output has expanded to 10-month high of 10.1% in Mar'22 from 4.5% in Apr'22. Capital and intermediate goods output have also registered an improvement of 14.7% (2% in Mar'22) and 7.6% (1.8% in Mar'22). Output of Infra goods moderated by 3.8% against 6.7% in Mar'22. Moreover, Consumer durable goods rose to 8-month high of 8.5% in Apr'22 compared with a decline of (-) 2.6% in Mar'22. Output of Consumer non-durable also registered an improvement at 4.9% in Apr'22.

Recovery may face challenge: The economy appears to be on solid footing on the back of the pickup in economic activity and reflected by high frequency indicators including Manufacturing PMI, electricity demand and GST collections. However, the recovery is laden with challenges on the back of accelerating inflation print, impact of the ongoing Russia-Ukraine conflict on energy prices and concerns over global economic slowdown.



Table 1: IIP growth edges scales up in Apr'22

(% change)	Apr'21	Apr'22	Apr-Mar'21	Apr-Mar'22
Mining	36.5	7.8	(7.8)	12.2
Manufacturing	196	6.3	(9.6)	11.8
Electricity	38.5	11.8	(0.5)	7.9
IIP general	133.5	7.1	(8.4)	11.4

Source: CEIC, Bank of Baroda Research

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