

IIP

11 September 2021

Industrial activity continues to recover

Industrial output increased by 11.5% in Jul'21 from 13.6% in Jun'21. Electricity output expanded at a faster pace than Jun'21. Adjusting for the base, even mining and manufacturing output have been resilient. Capital and primary goods maintained sequential momentum. Only FMCG output has shown a contraction. Steady opening up of domestic economy and exports are likely to ensure that industrial activity improves further. Recovery in capital goods and durables will take time as these segments are 18.6% and 26.4% below Jul'19 level.

Sameer Narang | Jahnvi

Dipanwita Mazumdar

chief.economist@bankofbaroda.com

IIP moderates: Industrial output eased marginally to 11.5% in Jul'21 from 13.6% in Jun'21. While mining and manufacturing output eased to 19.5% (from 23.1% in Jun'21) and 10.5% (13% in Jun'21) respectively, electricity output actually inched up to 11.1% in Jul'21 (8.3% in Jun'21). Adjusting for the base effect, even mining and manufacturing have been resilient in Jul'21. Over a 2-year horizon, IIP index is now only 0.3% lower and seems to have recouped the impact of second wave. Electricity and Mining output are now in positive territory over a 2-year period. Manufacturing output is still 2.1% below Jul'19 level.

FMCG output declines: Capital goods output rose by 29.5% in Jul'21 from 26.6% in Jun'21. Same was the case with primary goods index which increased by 12.4% in Jul'21 from 12% in Jun'21. While intermediate goods (14.1% versus 22.7%), infrastructure (11.6% versus 19.8%) and durables goods (20.2% versus 27.9%) segments seem to be losing momentum in Jul'21 versus Jun'21, adjusted for the base all these segments have been resilient. Only consumer non-durables output reported a decline in Jul'21 at 1.8% versus a decline of 4.3% in Jun'21. Over a 2-year horizon (pre-pandemic level), consumer durables (down by 26.4%) and capital goods (down by 18.6%) have shown the sharpest decline.

Rebound to sustain: During Apr-Jul'21, IIP rose by 34.1% compared with a decline of 29.3% in the same period over the previous year. The low base will also ensure higher growth rate in H1 (-20.7% in Apr-Sep'20). A steady pace of vaccination with as much as 60% of the country being vaccinated by Dec'21 and sustained growth in exports implies underlying revival in industrial output is likely to sustain. However, concerns over 3rd wave remains a risk to our view.

KEY HIGHLIGHTS

- Industrial activity eased marginally to 11.5% in Jul'21 from 13.6% in Jun'21.
- Electricity output maintained sequential momentum.
- Capital and primary goods grew at a faster pace than Jun'21.



FIG 1 – IIP GROWTH MODERATES

Sectoral (%)	Weight	Jul-21	Jun-21	Jul-20	Apr-Jul'22	Apr-Jul'21
IIP	100.0	11.5	13.6	(10.5)	34.1	(29.3)
Mining	14.4	19.5	23.1	(12.7)	25.3	(20.1)
Manufacturing	77.6	10.5	13.0	(11.4)	39	(32.9)
Electricity	8.0	11.1	8.3	(2.5)	15.2	(12.5)
Use-Based						
Primary Goods	34.1	12.4	12.0	(10.8)	18.5	(17.8)
Capital Goods	8.2	29.5	26.6	(22.8)	77.7	(55)
Intermediate Goods	17.2	14.1	22.7	(10.7)	50.5	(32.9)
Infrastructure and Construction Goods	12.3	11.6	19.8	(8.2)	57.2	(37.2)
Consumer Durables Goods	12.8	20.2	27.9	(23.7)	79.2	(56.4)
Consumer Non-Durables Goods	15.3	(1.8)	(4.3)	1.8	12	(12.1)

Source: CEIC, Bank of Baroda Research

Disclaimer

The views expressed in this research note are personal views of the author(s) and do not necessarily reflect the views of Bank of Baroda. Nothing contained in this publication shall constitute or be deemed to constitute an offer to sell/ purchase or as an invitation or solicitation to do so for any securities of any entity. Bank of Baroda and/ or its Affiliates and its subsidiaries make no representation as to the accuracy; completeness or reliability of any information contained herein or otherwise provided and hereby disclaim any liability with regard to the same. Bank of Baroda Group or its officers, employees, personnel, directors may be associated in a commercial or personal capacity or may have a commercial interest including as proprietary traders in or with the securities and/ or companies or issues or matters as contained in this publication and such commercial capacity or interest whether or not differing with or conflicting with this publication, shall not make or render Bank of Baroda Group liable in any manner whatsoever & Bank of Baroda Group or any of its officers, employees, personnel, directors shall not be liable for any loss, damage, liability whatsoever for any direct or indirect loss arising from the use or access of any information that may be displayed in this publication from time to time.

Visit us at www.bankofbaroda.in



For further details about this publication, please contact:

Economics Research Department

Bank of Baroda

chief.economist@bankofbaroda.com