

IIP growth softens

Tepid growth in manufacturing sector resulted in dragging down IIP growth lower at 3.2% in Dec'24 4 compared with a growth of 5.0% in Nov'24. Despite the moderation, both mining and electricity sector registered strong growth. Manufacturing sector had subdued performance, with over 15 sub-sectors registering weaker growth than last year. Within use-based classification, capital goods and primary goods registered a strong growth in Dec'24. Despite the moderation, we expect a rebound in the coming months which will be adequately supported by capex push, beginning with the easing cycle by RBI and lower inflation. However, the ongoing global tariff war remains a key risk to these projection amidst the concern around higher imported inflation and thereby, requires careful attention.

IIP growth eases: IIP growth moderated to 3.2% (3-month low) in Dec'24 against a growth of 5.0% in Nov'24. This was much lower than BoB's estimate of 4% increase. Manufacturing sector registered much slower growth at 3% in Dec'24 (5.5% in Nov'24) and was largely responsible for dragging down industrial output. On the other hand, both mining and electricity growth surprised positively. Mining output expanded by 2.6% compared with a 1.9% growth in Nov'24. Electricity growth accelerated to a 5-month high registering a growth of 6.2% in Dec'24 against a growth of 4.4% in Nov'24. On a FYTD basis, IIP growth slowed down to 4% compared with 6.3% growth registered last year. Manufacturing (4% against 5.7%) and mining (3.3% against 8.5%) sectors too noted slower growth in FYTD'24. Electricity growth also clocked slower growth on a FYTD basis at 4% against a growth of 5.7% last year.

Within manufacturing, out of 23 sub-sectors, 15 of them resulted in weaker growth in Dec'24. These included, manufacture of furniture, computer & electronic, fabricated metal, pharma products, non-metallic minerals, motor vehicles and other transport equipment amongst others. Notably, only 8 sectors have recorded higher growth including, other manufacturing, wood products, electrical equipment, coke & petroleum products and machinery equipment during the same period.

FMCG wobbles: Within use-based classification, primary and capital goods registered strong growth at 3.8% (2.7% in Nov'24) and 10.3% (8.8% in Nov'24) in Dec'24 respectively. Intermediate goods climbed up to 5-month high, with a growth of 5.9% in Dec'24 compared with 4.8% in Nov'24. However, infra goods output registered moderation with a growth of 6.3% (8.1% in Nov'24) given slower growth for cement. Furthermore, consumer durable output eased down to 8.3% after registering double digit growth of 14.1% in Nov'24. Adding to the disappointment, FMCG output declined down to (-) 7.6% compared with an increase of 0.4% growth in Nov'24 amidst a mixed trend in consumption sector.

Way forward: Industrial production noted buoyant growth at 3.9% in Q3 against a 2.7% growth in Q2 supported by broad based improvement across all the sectors. After growing by 4.1% in H1, industrial output is poised to grow higher in H2FY25 as has been reflected from the high frequency data such as the strong manufacturing PMI, steady GST collections. An uptick in capex spending in Q4 bodes well for higher growth. Globally, markets are trying to gauge or price in the impact of US tariffs on global trade. However amidst uncertainty with respect to new announcements of tariff and retaliatory tariffs from other economies, a global tariff war is at play. The adverse impact of the same will be seen across economies especially on import inflation front and thereby requires careful monitoring.

Table 1: Weaker IIP growth noted in Dec'24

Sectoral (%)	Weight	Dec-23	Nov-24	Dec-24	Apr-Dec'23	Apr-Dec'24
IIP	100.0	4.4	5.0	3.2	6.3	4.0
Mining	14.4	5.2	1.9	2.6	8.5	3.3
Manufacturing	77.6	4.6	5.5	3.0	5.7	4.0
Electricity	8.0	1.2	4.4	6.2	7.0	5.4
Use-Based						
Primary Goods	34.1	4.8	2.7	3.8	6.9	3.9
Capital Goods	8.2	3.7	8.8	10.3	7.1	5.1
Intermediate Goods	17.2	3.7	4.8	5.9	4.8	4.5
Infrastructure and Construction Goods	12.3	5.5	8.1	6.3	10.7	6.1
Consumer Durables Goods	12.8	5.2	14.1	8.3	1.1	8.7
Consumer Non-Durables Goods	15.3	3.0	0.4	(7.6)	5.4	(1.5)

Source: CEIC, Bank of Baroda Research

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