

IIP growth scales up

Industrial growth increased by 3.1% in Sep'22 (-0.7% in Aug'22). Higher output is on the back of growth in electricity output which was up by 11.6% in Sep'22 and mining output growing by 4.6% from a contraction of 3.9% in Aug'22. Manufacturing output (77.6%) which contributes the most to the industrial production was up a tad bit by 1.8% in Sep'22 (-0.5% in Sep'22). Even as fears of global economic slowdown aggravate across countries. India's growth remain steady with industrial production output likely to improve H2FY23 on the back of steady recovery as has also been signalled by some frequency indicators (robust tax collections, soaring credit growth).

IIP growth moves up:

As against our expectations (4.7%), industrial output rose to 3.1% in Sep'22 after declining by 0.7% in Aug'22. This was led by improvement in electricity (11.6% from 1.4%) and mining (4.6% after contracting by 3.9% in Aug'22) output. Manufacturing output inched up marginally by 1.8% in Sep'22 compared with contraction of 0.5% in Aug'22. Within manufacturing, output improved the most in case of tobacco products, fabricated metal (2.9% versus -7.3%), motor vehicles (29.9% from 23.7%), paper (6.5% versus 0.4%) and food products. Output of electrical equipment and wearing apparel contracted further in Sep'22 from Aug'22. Compared with the levels seen in 2019 (pre-pandemic period), IIP growth was up by 8.6% in Sep'22 versus 4.2% in Aug'22.

Primary good shines:

Within use-based, primary good output accelerated by 9.3% in Sep'22 compared with a growth of 1.7% in Aug'22. Capital goods output clocked double digit growth and was up by 10.3% in Sep'22 (from 4.3% in Aug'22). Infra (7.4% from 2.1% in Aug'22) and intermediate good (2% from 1.2% in Aug'22) output also registered an improvement in Sep'22. However, output of consumer durable disappointed the most as it contracted by 4.5% against a decline of 2.5% in Aug'22. Output of consumer non-durable goods contracted at a slower pace by 7.1% in Sep'22 (-9.5% in Aug'22).

H2FY23 holds key to growth:

In H1FY23, IIP growth has expanded by 7% compared with 23.8% growth in H1FY22. Recently, India's manufacturing PMI had slipped slightly to 55.1 in Sep'22 from 56.2 in Aug'22, though it moved up to 55.3 in Oct'22. The latter half of the year is likely to do much better on the back of the favorable base and taking in to account the festive demand, in this period. Robust tax collections, likelihood of moderation in inflation and uptick in government spending in the coming months is expected to boost the economy.

Table 1: IIP growth edge upwards

Sectoral (%)	Weight	Sep-22	Aug-22	Sep-21	Apr-Sep'22	Apr-Sep'21
IIP	100.0	3.1	(0.7)	4.4	7.0	23.8
Mining	14.4	4.6	(3.9)	8.6	4.2	22.2
Manufacturing	77.6	1.8	(0.5)	4.3	6.8	25.9
Electricity	8.0	11.6	1.4	0.9	10.8	12.8
Use-Based						
Primary Goods	34.1	9.3	1.7	4.6	9.2	15.8
Capital Goods	8.2	10.3	4.3	3.3	16.8	45.5
Intermediate Goods	17.2	2.0	1.2	7.0	6.8	33.2
Infrastructure and Construction Goods	12.3	7.4	2.1	9.3	7.3	37.9
Consumer Durables Goods	12.8	(4.5)	(2.5)	1.6	10.7	40.1
Consumer Non-Durables Goods	15.3	(7.1)	(9.5)	(0.1)	(2.8)	8.5

Source: CEIC, Bank of Baroda Research

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