

INDEX OF INDUSTRIAL PRODUCTION

YoY IIP growth eased to a three-month low of 5.0% in April 2024; expected to inch up to 5.0-5.5% in May 2024

JUNE 2024





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IIP growth eased to 5.0% in April 2024 from 5.4% in March 2024

Moderation in YoY IIP growth in April 2024 vs. March 2024 was entirely led by slowdown in YoY growth of manufacturing; mining and electricity growth saw an uptick

MoM dip of 7.6% in IIP in April 2024 was slightly sharper than that in 2023

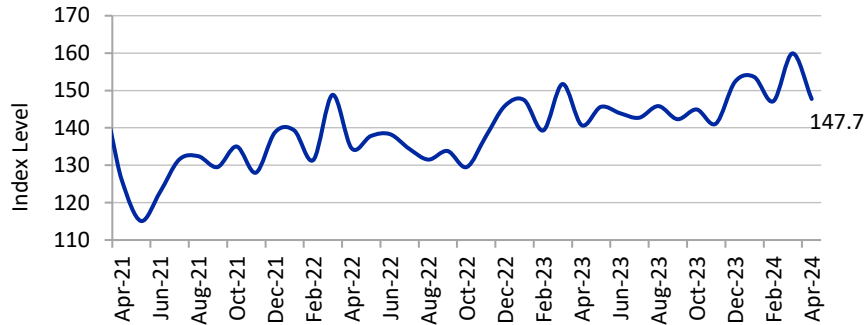
YoY IIP growth likely to rise marginally to 5.0-5.5% in May 2024

The year-on-year (YoY) growth in the Index of Industrial Production (IIP) eased to a three-month low of 5.0% in April 2024 from 5.4% in March 2024, while exceeding ICRA's expectations (+4.0%). This was entirely driven by a deceleration in the YoY expansion of manufacturing output owing to an adverse base, even as the growth in mining and electricity generation improved, with the latter being supported by a low base and the impact of a rise in temperatures and heatwaves across some parts of the country in the month. Among the use-based categories, consumer non-durables output reverted to a YoY contraction of 2.4% in April 2024 after rising by 5.3% in March 2024, owing to an adverse base. Based on the favourable trends in most of the available high frequency indicators for May 2024, ICRA anticipates the YoY IIP growth to improve, albeit marginally to 5.0-5.5% in that month, amidst a high base (+5.7% in May 2023 vs. +4.6% in April 2023).

- **IIP growth eased to 5.0% in April 2024:** The YoY IIP growth eased to a three-month low of 5.0% in April 2024 from 5.4% in March 2024, while printing above ICRA's expectation (+4.0%) for the month. This was entirely led by a deterioration in the YoY expansion of manufacturing output (to +3.9% from +5.8%), even as that for electricity generation (to +10.2% from +8.6%) and mining output (to +6.7% from +1.3%) saw an uptick, with the former supported by a low base (-1.1% in April 2023) as well as heatwaves across some parts of the country in that month.
- **Sequential decline in IIP in April 2024 mildly sharper than that seen in April 2023:** In month-on-month (MoM) terms, the IIP dipped by a slightly sharper 7.6% in April 2024 vis-à-vis the 7.3% decline seen in April 2023. This was entirely driven by manufacturing output (-7.6% in April 2024 vs. -5.9% in April 2023), while mining output (-16.3% vs. -20.5%) and electricity generation (+3.8% vs. +2.3%; aided by higher demand owing to the heatwave) witnessed a stronger sequential uptick in April 2024 vis-à-vis 2023.
- **IIP growth to rise marginally to 5.0-5.5% in May 2024:** Based on the trends in the available high frequency data for May 2024, ICRA anticipates the YoY IIP growth to improve marginally to 5.0-5.5% in that month from 5.0% in April 2024, amidst a high base (+5.7% in May 2023 vs. +4.6% in April 2023).

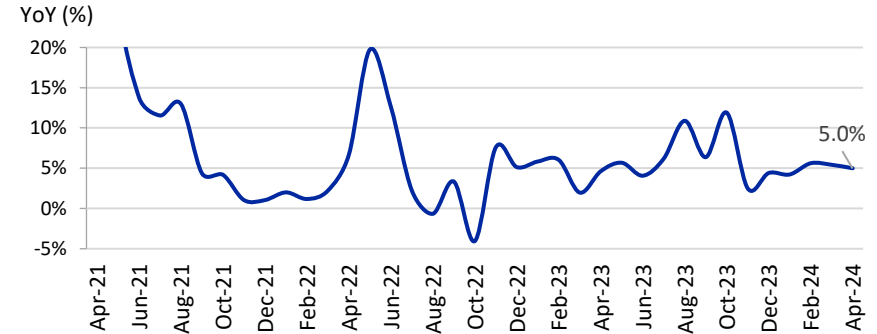
YoY expansion in IIP eased to a three-month low of 5.0% in April 2024 from 5.4% in March 2024 partly owing to an adverse base

EXHIBIT: Trends in index levels of IIP



Source: National Statistical Office (NSO); CEIC; ICRA Research

EXHIBIT: Trends in YoY growth of IIP

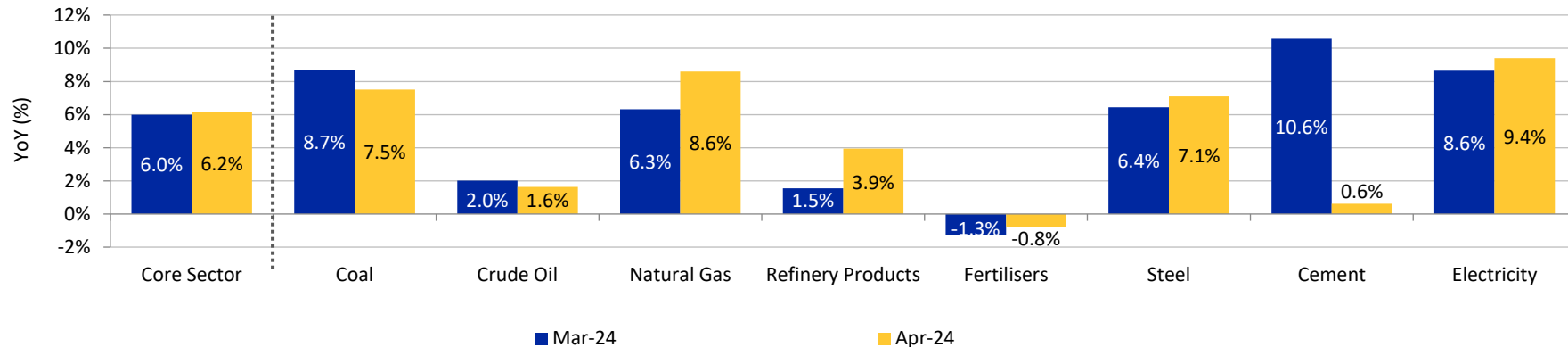


Source: NSO; CEIC; ICRA Research

- The YoY growth in the IIP eased to a three-month low of 5.0% in April 2024 (+4.6% in April 2023) from the revised 5.4% in March 2024 (+1.9% in March 2023) amid an adverse base, while exceeding ICRA's forecast (+4.0%) for the month.
- The moderation in the YoY IIP growth in April 2024, relative to the previous month was entirely driven by a deterioration in the YoY expansion of manufacturing output (to +3.9% in April 2024 from +5.8% in March 2024).
- In contrast, the YoY growth in mining output (to +6.7% from +1.3%) and electricity generation (to +10.2% from +8.6%) improved between these two months, with the latter being supported by a low base (-1.1% in April 2023) as well as rising temperatures and heatwaves in that month.

YoY expansion in IIP trailed that of the core sector output in April 2024 for third straight month

EXHIBIT: YoY performance of core sector and its sub-components

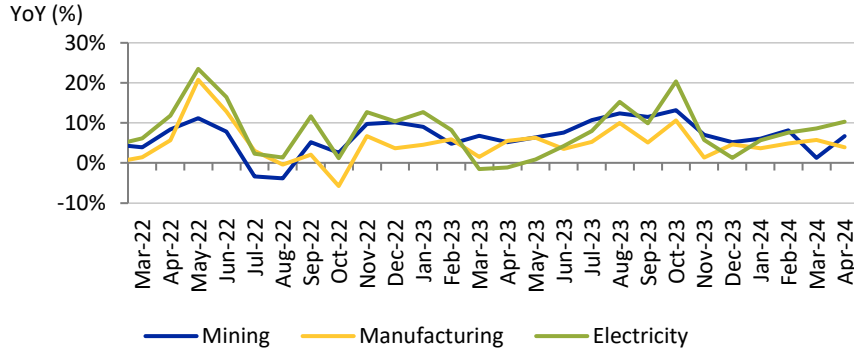


Source: Index of Eight Core Industries, Office of Economic Adviser, Ministry of Commerce and Industry; CEIC; ICRA Research

- The YoY rise in the output of the core sector recorded a mild uptick to 6.2% in April 2024 from 6.0% in March 2024, with the improved sequential performance of five of the eight constituents offset by a sharp slide in the cement growth as well as relatively modest dips in the performance of coal and crude oil output.
- The YoY growth in the output of natural gas (to +8.6% in April 2024 from +6.3% in March 2024), refinery products (to a four-month high +3.9% from +1.5%), fertilisers (to -0.8% from -1.3%), steel (to +7.1% from +6.4%), and electricity generation (to a six-month high +9.4% from +8.6%; owing to rise in temperature) improved in April 2024 vis-à-vis March 2024.
- In contrast, the pace of expansion in the output of cement (to a five-month low +0.6% from +10.6%), coal (to an 11-month low +7.5% from +8.7%), and crude oil (to +1.6% from +2.0%) deteriorated in April 2024, relative to the previous month.
- Notably, the YoY IIP growth (+5.0%) trailed the 6.2% YoY expansion seen in the core sector output (weight in IIP: 40.3%), for the third consecutive month in April 2024.

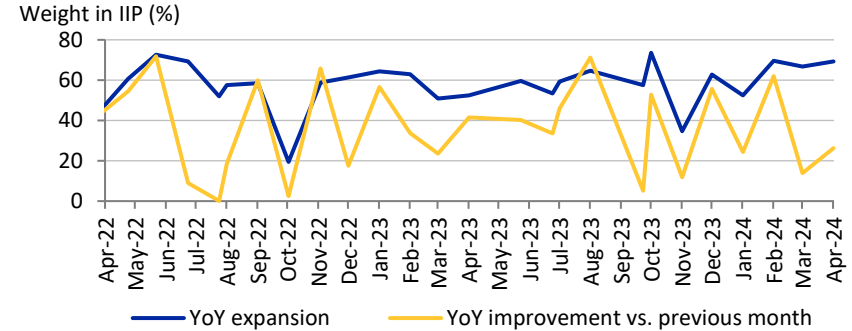
Growth in manufacturing output eased to three-month low in April 2024

EXHIBIT: YoY trends in IIP (sectoral-based)



Source: NSO; CEIC; ICRA Research

EXHIBIT: Weightage (%; in IIP) of manufacturing sub-sectors reporting YoY expansion and improvement in YoY growth vs. previous month

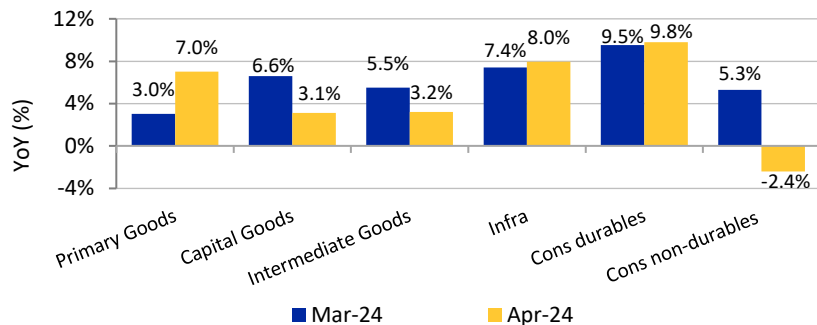


Source: NSO; CEIC; ICRA Research

- The YoY expansion in manufacturing output declined to a three-month low of 3.9% in April 2024 (+5.5% in April 2023) from 5.8% in March 2024 (+1.5% in March 2023), partly driven by a high base. In contrast, the YoY expansion in electricity generation rose to a six-month high of 10.2% in April 2024 from 8.6% in the prior month, owing to a rise in temperatures. Besides, the growth of mining output (to +6.7% from +1.3%) witnessed a sharp rise in April 2024 vis-à-vis March 2024, despite the moderation in growth of crude oil and coal output, suggesting that the YoY growth in the output of non-fuel minerals saw a significant improvement between these months.
- Within the manufacturing segment, 13 of the 23 sub-sectors of manufacturing (with a weight of 51.4% in the IIP) weakened in April 2024 relative to March 2024; this subset includes food products, chemicals and chemical products, fabricated metal products, electrical equipment, etc. In contrast, the output of the remaining 10 sub-sectors (with a lower weight of 26.2% in the IIP) saw an improvement in their YoY performance in April 2024, vis-à-vis March 2024. This sub-set includes coke and refined petroleum products, motor vehicles, trailers and semi-trailers, textiles, etc.
- Notably, the production of 17 of the 23 sub-sectors of manufacturing (with a sizeable weight of 69.3% in the IIP) increased on a YoY basis in April 2024, while the output of the remaining six sub-sectors (with a lower weight of 8.3% in the IIP) contracted in that month.

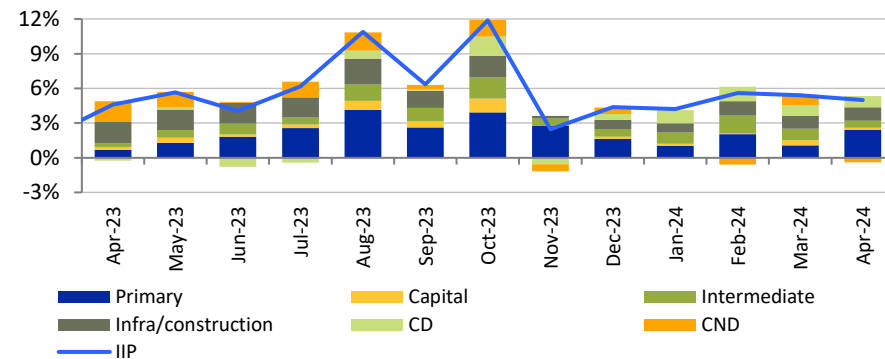
YoY performance of three of the six use-based categories weakened in April 2024 vis-à-vis March 2024

EXHIBIT: YoY trends in IIP (use-based)



Source: NSO; CEIC; ICRA Research

EXHIBIT: Contribution to IIP growth by use-based categories

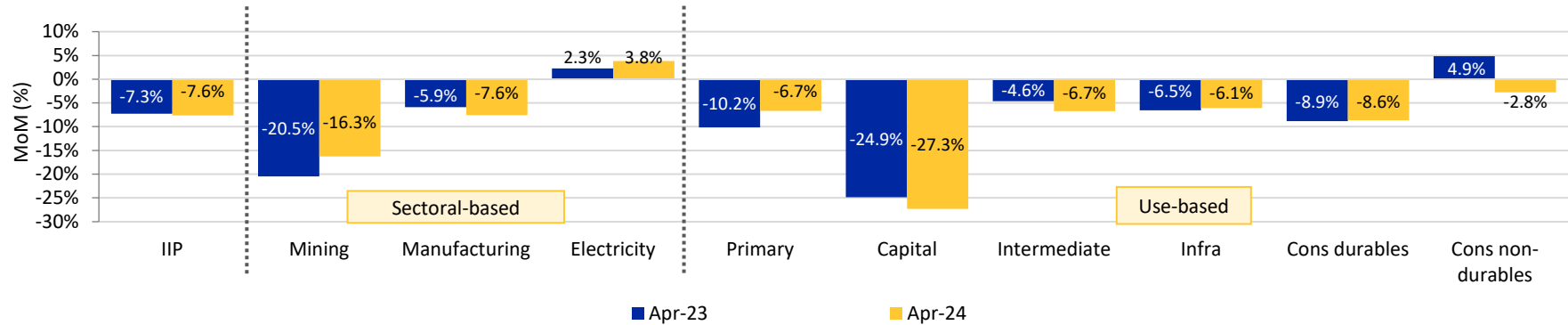


*CD: Consumer durables; CND: Consumer non-durables; Source: NSO; CEIC; ICRA Research

- Three of the six use-based categories recorded a weaker YoY performance in April 2024 vis-à-vis March 2024. The output of consumer non-durables reverted to a YoY contraction of 2.4% in April 2024 from the expansion of 5.3% in March 2024, partly owing to a high base (+11.4% in April 2023 vs. -1.9% in March 2023). This was followed by a slowdown in the YoY growth of capital goods (more-than-halved to +3.1% from +6.6%; despite a low base) and intermediate goods (to a nine-month low +3.2% from +5.5%) in April 2024, relative to the previous month.
- On the contrary, the output of primary goods (to a five-month high +7.0% from +3.0%, led by mining), infrastructure/construction goods (to +8.0% from +7.4%), and consumer durables (to +9.8% from +9.5%) saw an improvement in their pace of expansion in April 2024, vis-à-vis March 2024.
- Interestingly, the output of consumer durables (-6.6%) and capital goods (-0.9%) trailed their corresponding pre-Covid levels of April 2019, even as the other categories of the IIP exceeded the same in April 2024.

Sequential decline in April 2024 was slightly sharper than that seen in April 2023

EXHIBIT: MoM trends in IIP and its sub-components

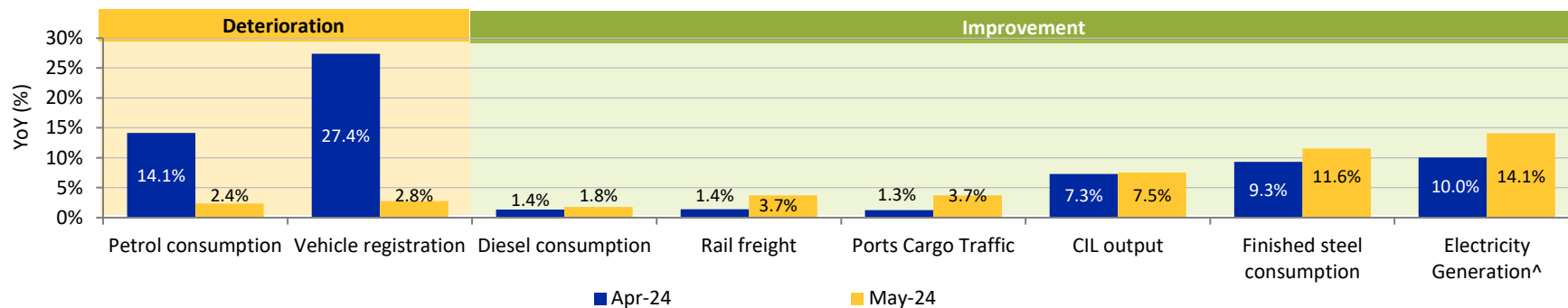


Infra: Infrastructure/ construction goods; Cons durables: Consumer durables; Cons non-durables: Consumer non-durables; Source: NSO; CEIC; ICRA Research

- In sequential terms, industrial output dipped by a slightly sharper 7.6% in April 2024 vis-à-vis the 7.3% decline seen in April 2023. The wider MoM contraction was entirely driven by manufacturing output (-7.6% in April 2024 vs. -5.9% in April 2023), while mining output (-16.3% vs. -20.5%) and electricity generation (+3.8% vs. +2.3%; aided by higher demand owing to heatwaves across some parts of the country) witnessed a stronger sequential performance in April 2024 vis-à-vis April 2023.
- Moreover, half of the six use-based categories of the IIP, namely, intermediate goods (-6.7% in April 2024 vs. -4.6% in April 2023), capital goods (-27.3% vs. -24.9%), and consumer non-durables (-2.8% vs. +4.9%) witnessed a weaker MoM performance in April 2024 relative to April 2023. In contrast, the MoM decline in the output of primary goods (-6.7% vs. -10.2%), infrastructure/construction goods (-6.1% vs. -6.5%) and consumer durables (-8.6% vs. -8.9%) was narrower than the levels seen in April 2023.

OUTLOOK: IIP growth to inch up to 5.0-5.5% in May 2024

EXHIBIT: YoY trends of high frequency indicators



[^]excludes renewable energy; CIL: Coal India Limited; petrol and diesel refer to growth in consumption volumes; Source: JPC; Indian Railways; CIL; CEA; PPAC; Vahan Portal; CEIC; ICRA Research

- The YoY growth in a majority of the available high frequency indicators witnessed an uptick in May 2024 as compared to April 2024; this subset includes output of Coal India Limited (to +7.5% in May 2024 from +7.3% in April 2024; to cater to the increased electricity demand), electricity generation (to a seven-month high +14.1% from +10.0%); owing to the rise in temperatures and heatwaves across some parts of the country), finished steel consumption (to +11.6% from +9.3%), cargo traffic at major ports (to a six-month high +3.7% from +1.3%), railway freight traffic (to +3.7% from +1.4%, primarily driven by coal), and diesel consumption (to +1.8% from +1.4%).
- In contrast, the YoY performance of petrol sales (to a five-month low +2.4% from +14.1%) and vehicle registrations (to a seven-month low +2.8% from +27.4%) deteriorated sharply in May 2024 relative to April 2024.
- **Based on the trends in the available high frequency data for May 2024, ICRA anticipates the YoY IIP growth to improve, albeit marginally to 5.0-5.5% in that month from 5.0% in April 2024, amidst a high base (+5.7% in May 2023 vs. +4.6% in April 2023).**

Table A.1: Trends in IIP Growth

	Sectoral				Use-Based Classification					
	IIP	Mining	Manufacturing	Electricity	Primary	Capital	Intermediate	Infra/ Construction	Durables	Non-Durables
Weight	100.0%	14.4%	77.6%	8.0%	34.0%	8.2%	17.2%	12.3%	12.8%	15.3%
YoY (%)										
March-24	5.4%	1.3%	5.8%	8.6%	3.0%	6.6%	5.5%	7.4%	9.5%	5.3%
April-24	5.0%	6.7%	3.9%	10.2%	7.0%	3.1%	3.2%	8.0%	9.8%	-2.4%
MoM (%)										
March-24	8.7%	11.8%	8.1%	9.1%	10.1%	23.7%	6.7%	8.6%	6.7%	3.9%
April-24	-7.6%	-16.3%	-7.6%	3.8%	-6.7%	-27.3%	-6.7%	-6.1%	-8.6%	-2.8%
April-24/ April-19	16.8%	21.3%	14.3%	30.1%	21.0%	-0.9%	26.8%	35.8%	-6.6%	7.9%

Source: NSO; CEIC; ICRA Research

Table A.2: Sub-groups with major contribution in IIP on the basis of use-based classification

Use-Based Classification	Item Group	Sub-group	Weight (%)	Use-Based Classification	Item Group	Sub-group	Weight (%)
Primary Goods (Wt.=34.0%)	Diesel	Coke and refined petroleum products	5.71	Infrastructure /Construction Goods (Wt.=12.3%)	Cement	Other non-metallic mineral products	2.16
	Petrol/Motor Spirit	Coke and refined petroleum products	1.66		Bars and Rods of Mild steel	Basic Metals	1.35
	LPG	Coke and refined petroleum products	0.84		HR coils and sheets of mild steel	Basic Metals	1.35
Capital Goods (Wt.=8.2%)	Commercial Vehicles	Motor vehicles, trailers and semi-trailers	0.94	Consumer Durables (Wt.=12.8%)	Auto components/ spares and accessories	Motor vehicles, trailers and semi-trailers	2.59
	Stationary and internal combustion piston engines not for motor vehicles	Machinery and equipment N.E.C.	0.51		Two-wheelers (motorcycles/ scooters)	Other transport equipment	1.36
	Generators / Alternators	Electrical Equipment	0.46		Readymade Garments	Wearing Apparel	1.01
Intermediate Goods (Wt.=17.2%)	Naphtha	Coke and refined petroleum products	1.15	Consumer Non-durables (Wt.=15.3%)	API & formulations of vitamins	Pharmaceuticals, medicinal chemical and botanical products	0.85
	MS blooms/ billets/ ingots/ pencil ingots	Basic Metals	0.95		Sugar	Food Products	0.76
	MS slabs	Basic Metals	0.84		Steroids and hormonal preparations	Pharmaceuticals, medicinal chemical and botanical products	0.72

Source: NSO; CEIC; ICRA Research



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