

## Macro Insights

15<sup>th</sup> November, 2022

### IIP grew by 3.1% in Sept'22

- Index of Industrial Production grew by 3.1% in Sept'22 after showing a contraction of 0.7% in Aug'22 and 4.4% in Sept'21.
- IIP will get support from easing global commodity prices. While weak external demand and sustained consumption may drag down the IIP numbers.



With global supply disruptions easing, Industrial Production is on a recovery path.



Pick-up in capital goods and Infrastructure sector is definitely a positive signal.



Consumer durables and non-durables sector contracted by 4.5% and 7.1%.

Chart: Index of Industrial Production-Sept'22

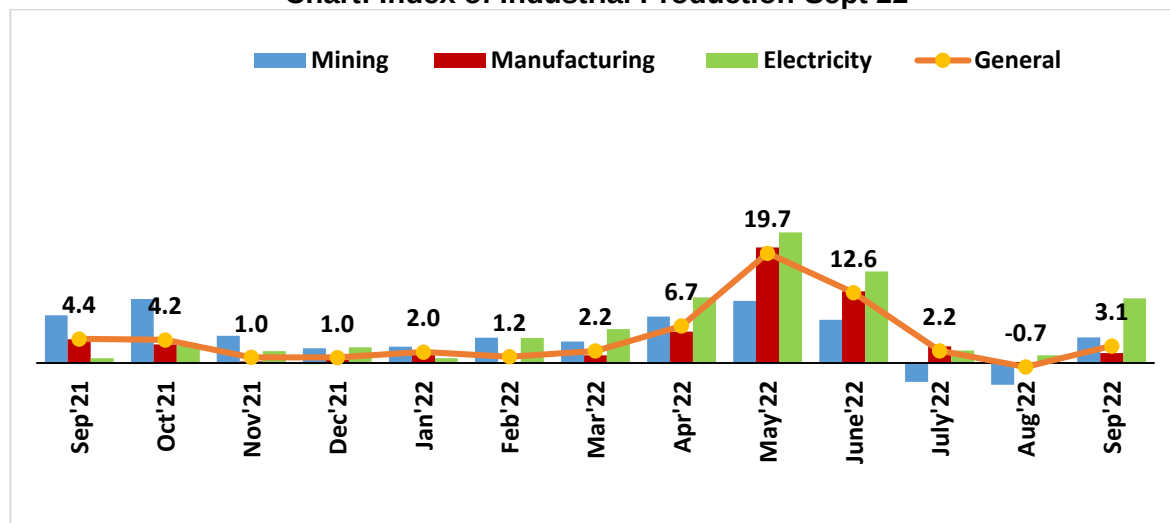


Table: IIP growth % (Sector-wise)

| Component          | Weight | Sep'21 | Sep'22 | April-Sep'21 | April-Sep'22 |
|--------------------|--------|--------|--------|--------------|--------------|
| Mining             | 14.37% | 8.6    | 4.6    | 22.2         | 4.2          |
| Manufacturing      | 77.63% | 4.3    | 1.8    | 25.9         | 6.8          |
| Electricity        | 7.99%  | 0.9    | 11.6   | 12.8         | 10.8         |
| IIP Index -General | 100%   | 4.4    | 3.1    | 23.8         | 7.0          |

Table: IIP growth % (Usage-wise)

| Component                | Weight | Sep'21 | Sep'22 | April-Sep'21 | April-Sep'22 |
|--------------------------|--------|--------|--------|--------------|--------------|
| Primary Goods            | 34.05% | 4.6    | 9.3    | 15.8         | 9.2          |
| Capital Goods            | 8.22%  | 3.3    | 10.3   | 45.5         | 16.8         |
| Intermediate Goods       | 17.22% | 7.0    | 2.0    | 33.2         | 6.8          |
| Infra/Construction Goods | 12.34% | 9.3    | 7.4    | 37.9         | 7.3          |
| Consumer Durables        | 12.84% | 1.6    | -4.5   | 40.1         | 10.7         |
| Consumer Non- Durables   | 15.33% | -0.1   | -7.1   | 8.5          | -2.8         |

1. The recuperation in overall Index is owing to the fact that electricity has grown in double digits.
2. In Sector wise: no sector is showing negative performance on YoY basis.
3. The output of the manufacturing sector rose 1.8% in September 2022 as against an 4.3% growth recorded in the year-ago period
4. Mining output rose to 4.6%. Power generation was up 11.6% during the month.
5. In Usage wise, Consumer durable and Consumer Non-durables are showing negative YoY growth.

### Way Forward

1. A revival of 3.1% in Industrial production growth is a strong indication of improving output and demand condition in the economy.
2. It is expected that the overall IIP growth to remain below 2% in October 2022, on the back of earlier beginning of the festivals in the system along-with weakening of external demand may lead to slower growth in the manufacturing sector.
3. Although the demand for capital/infrastructure goods is likely to continue to get the support from the capital expenditure at state and Union level, but the frail recovery in other sectors may have an adverse impact on the growth of Index of Industrial Production.
4. However, monetary action on the part of RBI in December will hold key to future movements in the growth of Industrial production.

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