

# Factory output begins FY23 on a high, jumps 7.1% in April

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### Synopsis

Manufacturing, which has a dominant 77.6% weight in the index of industrial production (IIP), grew 6.3% in the first month of FY23. Electricity generation rose 11.8% while mining output was up 7.8%, though the base effect of Covid-hit April 2021 partly magnified growth.



Performance in sync with GST collection, PMI numbers, auto sales and railway freight.

India's economy appears to have got off to a strong start in the fiscal year with industrial growth hitting an eightmonth high of 7.1% in April, data released on Friday showed.

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rose 11.8% while mining output was up 7.8%, though the base effect of Covidhit April 2021 partly magnified growth.

"The impressive jump in IIP seems to corroborate <u>**RBI**</u>'s prognosis in the last <u>**MPC**</u> (monetary policy committee) meeting that economic growth is on a relatively firm footing," said CareEdge chief economist Rajani Sinha. The robust industrial performance is in sync with upbeat <u>**GST**</u> collection, purchasing managers' indices, automobile sales, and railway freight, among others.

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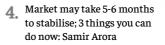
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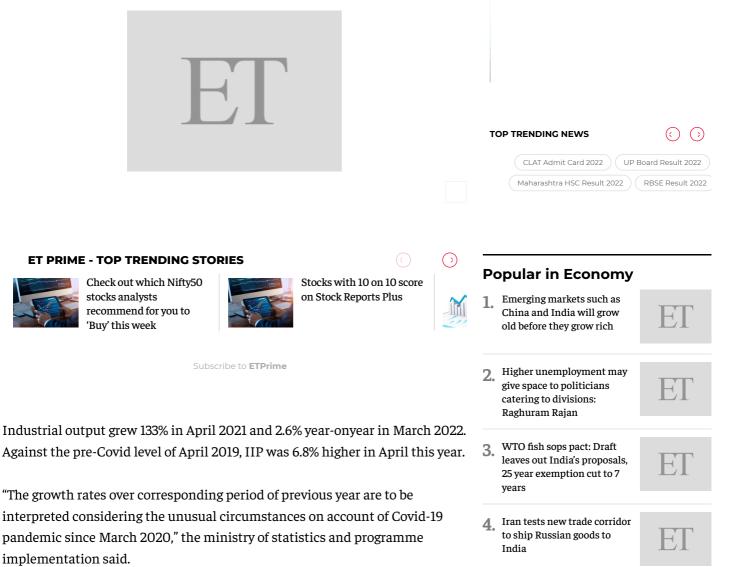
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"The recovery has gained momentum despite the pandemic and the war," RBI governor Shaktikanta Das had said on Wednesday while announcing a half percentage point rise in the policy rate.



## **STRONG HEADWINDS**

Industrial activity and overall economic growth could moderate as the economy runs into high commodity prices, rising inflation, and monetary

tightening The base effect will, however, push up growth in the early months of the year.

"We need to see if this momentum can be sustained going forward as it would be a prerequisite for growth in GDP to be sustained at over 7% this year," said Bank of Baroda NSE -4.23 % chief economist Madan Sabnavis.

CRISIL NSE -0.35 % chief economist <u>DK Joshi</u> said, "What's worrying is that consumer goods growth remains weak, indicating sluggish private consumption." A normal monsoon could boost rural demand. "Given the sharp YoY expansion displayed by most high-frequency indicators in May 2022, we expect the IIP growth to rise further to 17-19% in that month, on the back of a falling base related to the second wave of Covid-19 in India in May 2021," said ICRA NSE -0.93 % chief economist Aditi Nayar.

## **BROAD-BASED RECOVERY**

Seventeen out of 22 manufacturing subsectors reported growth in output in April. "It is a positive sign given that this month was associated with the war in Ukraine being at its peak as well as the sanctions being imposed," said Sabnavis.

Production of capital goods, a measure of investment activity, rose 14.7% in the month while consumer durables output, an indicator of discretionary demand, was up 8.5%. Consumer non-durables and construction goods grew at 0.3% and 3.8%, respectively. "There is improvement across sectors, but what is specifically remarkable is the healthy jump in the manufacturing sector," said Sinha of CareEdge.



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