

## **IIP contracts 0.8% in August, worst performance in 18 months**

Industrial growth has been falling ever since it hit a one-year high of 19.7 percent in May on the back of a favourable base effect

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India's industrial growth, as per the Index of Industrial Production (IIP), slid to an 18-month low of -0.8 percent in August from 2.2 percent in July, data released by the Ministry of Statistics and Programme Implementation on October 12 showed.

The last time India's industrial production had contracted was in February 2021.

At -0.8 percent, the August industrial growth figure is well below the consensus estimate. A Moneycontrol poll of 16 economists had predicted IIP growth may decline to 1.7 percent in August.

In August, the electricity sector was the only one of the three to register an increase in output, with production of mining and manufacturing goods falling by 3.9 percent and 0.7 percent, respectively, on a year-on-year basis.

	AUG 2022	JUL 2022	AUG 2021
IIP growth	-0.8%	2.2%	13.0%
Mining	-3.9%	-3.3%	23.3%

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USE-BASED CLASSIFICATION			
Primary goods	1.7%	2.5%	16.9%
Capital goods	5.0%	5.7%	20.0%
Intermediate goods	0.6%	3.8%	11.8%
Infrastructure goods	1.7%	3.8%	13.5%
Consumer durables	-2.5%	2.3%	11.1%
Consumer non-durables	-9.9%	-2.8%	5.9%

"The deceleration in IIP for August is a combined effect of normalising base and disappointing performance of the mining and manufacturing sectors. Compared to pre-pandemic period, the IIP in August has grown by 4 percent, but it is still lower than expectations," said Rajani Sinha, chief economist at CareEdge.

Within use-based classification, the story was worse as all six goods posted worse numbers in August compared to July. While four of the six goods saw their output grow at a slower pace in August, the production of consumer durables dropped by 2.5 percent after having increased by 2.3 percent in July.

Meanwhile, the output of consumer non-durables contracted by an even greater magnitude.

"Today's data provide further evidence that India's economic recovery has plateaued, as global headwinds, stagnating exports and higher interest costs start to weigh on manufacturing output," said Rahul Bajoria, Barclays' chief India economist.

"While goods-related segments are showing signs of consolidation, we see room for services to remain somewhat resilient, especially going into the festive season. We continue to see the potential for India's domestic demand to hold up well, and its growth to turn asynchronous to the global cycle somewhat, creating headwinds to inflation and the current account, while providing some mitigating support to the fiscal position, largely on account of buoyant tax revenues," Bajoria added.