

# Industrial Activity Springs Up in April

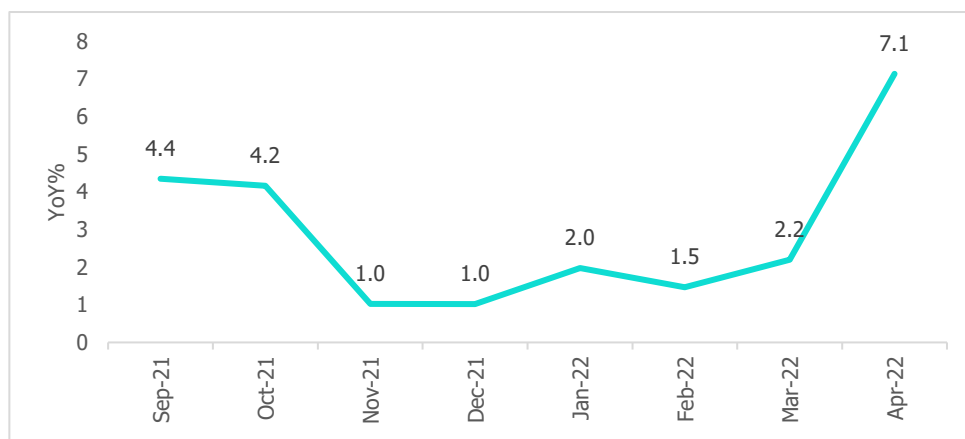


Ratings • Advisory • Research • Risk Solutions

June 10, 2022 | Economics

The IIP growth has surprised on the upside accelerating to an eight-month high of 7.1% in April supported by a broad-based improvement across sectors with strong growth recorded in the manufacturing and electricity sector. The improved performance of industrial activity is also in line with the rise in the core sector output to a six-month high in April.

**Exhibit 1: Index of Industrial Production (y-o-y%)**



Source: MOSPI

Mining sector grew by 7.8% in April from 3.9% in the previous month helped by a low base of last year. Strong growth in electricity output continued as it accelerated to an eight-month high of 11.8% during the month. Electricity consumption has been witnessing a steady improvement on the back of pick-up in demand from the industrial and commercial sector. Also, heatwave like conditions in several parts of the country have further contributed to increased power demand. Momentum in manufacturing output (which has the largest share in the industrial output index) rose to 6.3% in April, highest over the last eight months. Within manufacturing, the annual increase in output was witnessed in 18 out of 23 categories. Double-digit growth was recorded in manufacture of wearing apparel (65.7%), furniture (57.8%), printing and reproduction of recorded media (38%), beverages (29.7%), tobacco products (23.1%), coke and refined petroleum products (10.6%). The strong growth appears encouraging given the headwinds faced by the sector from high input prices, and supply-chain bottlenecks.

Within the use-based classification of IIP, performance of consumer non-durable goods continued to be lacklustre at 0.3%, however growth in consumer durables sprung back in to the positive territory after witnessing negative growth for six months in a row. Output of consumer durables grew by 8.5% supported by a relatively low base of last year. Capital goods output witnessed a double-digit growth of 14.7% after having witnessed subdued growth over the past few months. Growth in consumer durables and capital goods segment will have to be closely watched over the coming months to monitor if this growth momentum is sustained. Growth in output of infrastructure and construction goods slowed to 3.8% from 6.7% in the previous month. The intent to invest by the private sector is improving as seen in the rising capacity utilisation level and data on new investment projects announced. Further, government's capex push will be a major driving force for growth in this segment going ahead.

**Table 1: Component wise Breakup of IIP Growth (y-o-y%)**

	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22
<b>Sectoral</b>						
Mining & quarrying	4.9	2.6	3.0	4.5	3.9	7.8
Manufacturing	0.3	0.6	1.9	0.5	1.4	6.3
Electricity	2.1	2.8	0.9	4.5	6.1	11.8
<b>Use-based</b>						
Primary goods	3.5	2.8	1.6	4.6	5.7	10.1
Capital goods	-2.6	-3.0	1.8	2.0	2.0	14.7
Intermediate goods	2.1	1.0	2.5	3.7	1.8	7.6
Infrastructure/construction goods	3.1	2.0	5.9	9.1	6.7	3.8
Consumer durables	-5.7	-1.9	-4.4	-8.7	-2.6	8.5
Consumer non-durables	-0.8	0.3	3.1	-5.8	-4.6	0.3
<b>Industrial Output</b>	1.0	1.0	2.0	1.5	2.2	7.1

Source: MOSPI

**Way Forward**

The sharp jump in IIP has come as a positive surprise. It will be critical to watch for next few months to see if this growth momentum is sustained. There will continue to be challenges for the industrial sector in the form of high commodity prices. However, a gradual pick up in consumption and investment demand would be supportive of the sector, going forward.

## Contact

Rajani Sinha	Chief Economist	rajani.sinha@careedge.in	+91 - 22 - 6754 3525
Akanksha Bhende	Associate Economist	akanksha.bhende@careedge.in	+91 - 22 - 6754 3424
Mradul Mishra	Media Relations	mradul.mishra@careedge.in	+91 - 22 - 6754 3596

## CARE Ratings Limited

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East),  
Mumbai - 400 022  
Phone : +91 - 22 - 6754 3456 | CIN: L67190MH1993PLC071691

Connect :



Locations: Ahmedabad | Andheri-Mumbai | Bengaluru | Chennai | Coimbatore | Hyderabad | Kolkata | New Delhi | Pune

## About:

CareEdge (earlier known as CARE Group) is a knowledge-based analytical group that aims to provide superior insights based on technology, data analytics capability and detailed research methods. CareEdge Ratings is one of the leading credit rating agencies in India. It has an impressive track record of rating companies for almost three decades and has played a pivotal role in developing the corporate debt market in India. CareEdge provides near real time research on all domestic and global economic developments. The wholly owned subsidiaries include CareEdge Advisory & Research arm focused on providing advisory and consultancy services and CareEdge Risk solutions a platform that provides risk management solutions

## Disclaimer:

This report has been prepared by CareEdge (CARE Ratings Limited). CareEdge has taken utmost care to ensure accuracy and objectivity based on information available in the public domain. However, neither the accuracy nor completeness of the information contained in this report is guaranteed. CareEdge is not responsible for any errors or omissions in analysis/inferences/views or for results obtained from the use of the information contained in this report and especially states that CareEdge has no financial liability whatsoever to the user of this report.