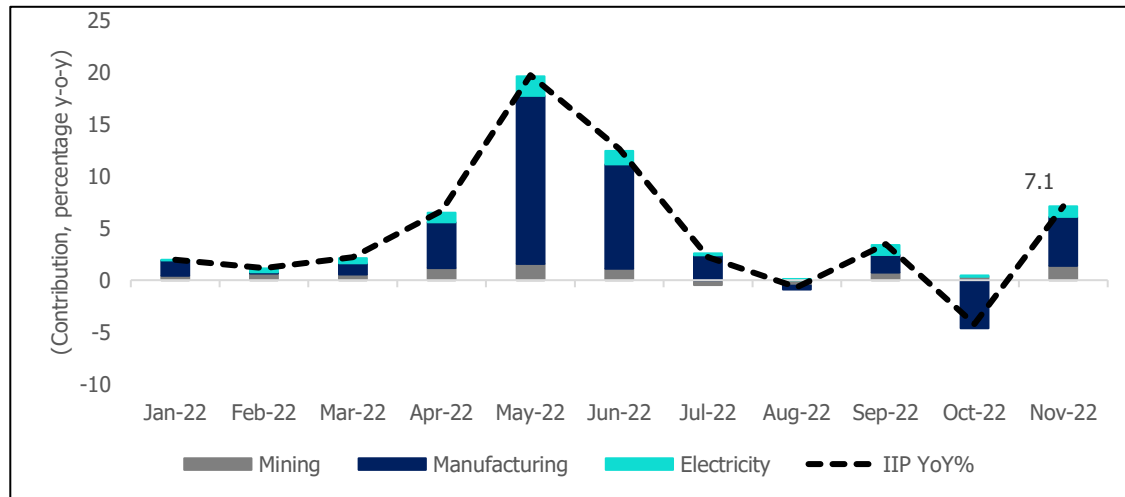


Industrial Activity Jumps in November

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IIP growth has surprised on the upside accelerating to a 5-months high of 7.1% in November supported by favourable base and momentum effect. Industrial output registered a broad-based improvement across sectors and use-based segregation. Within sectors, manufacturing made the largest positive contribution of 4.7 percentage points to overall industrial activity growth, while mining and electricity made contribution of 1.4 and 1 percentage points respectively. The improved performance in industrial activity is also in line with the healthy rise of core sector output in November.

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



Source: MOSPI

Looking deeper into manufacturing sector showed that, increase in YoY output was witnessed in 16 out of 23 categories. However, slowdown in external demand made a dent in the output of some export dependent sectors like Textile, Apparel, Leather and petroleum products. Mining and electricity also registered a growth of 9.7% and 12.7% respectively.

Analysis of use-based classification shows that Capital goods and Infrastructure recorded a healthy double-digit growth of by 20.7% and 12.8% respectively in November. Growth in consumer non-durables sprung back into the positive territory after witnessing negative growth for four months in a row, consumer durables also moved to positive territory after three months. Healthy retail credit growth and moderation in inflation should support consumption going forward.

Table 1: Component-wise Breakup of IIP Growth in 2022 (y-o-y%)

	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22
Sectoral										
Mining & quarrying	4.6	3.9	8.4	11.2	7.8	-3.4	-3.9	5.2	2.5	9.7
Manufacturing	0.2	1.4	5.6	20.7	12.9	3.0	-0.5	2.2	-5.9	6.1
Electricity	4.5	6.1	11.8	23.5	16.4	2.3	1.4	11.6	1.2	12.7
Use-based										
Primary goods	4.6	5.7	10.3	17.8	13.8	2.5	1.7	9.5	2.0	4.7
Capital goods	1.3	2.4	12.0	53.3	28.6	5.7	4.3	11.4	-1.7	20.7
Intermediate goods	4.1	1.8	7.1	17.5	10.5	3.8	1.2	1.7	-2.6	3.0
Infrastructure/construction goods	8.6	6.7	4.0	18.4	9.4	3.8	2.1	7.7	1.1	12.8
Consumer durables	-9.7	-3.1	7.2	59.1	25.2	2.3	-2.5	-3.2	-17.8	5.1
Consumer non-durables	-6.8	-4.4	-0.8	1.4	2.9	-2.8	-9.5	-6.3	-13.4	8.9
Industrial Output	1.2	2.2	6.7	19.7	12.6	2.2	-0.7	3.5	-4.2	7.1

Source: MOSPI

Way Forward

Going ahead, it will be critical for the current growth momentum in the industrial sector to be maintained. In the environment of global slowdown, maintaining growth in Industrial output will depend on the resilience and momentum of domestic demand recovery. Healthy credit growth and moderating inflation in the economy is likely to be supportive of domestic consumption demand in the months to come. Pick up in the investment demand will also be supportive of segments like capital goods and infrastructure. However, industrial sector will definitely feel the pinch of global slowdown as reflected by contraction in the export dependent sectors.

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