

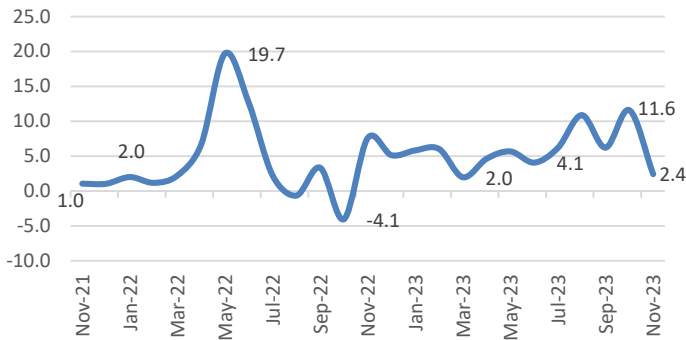
Fact Sheet – Index of Industrial Production (IIP)

January 2024

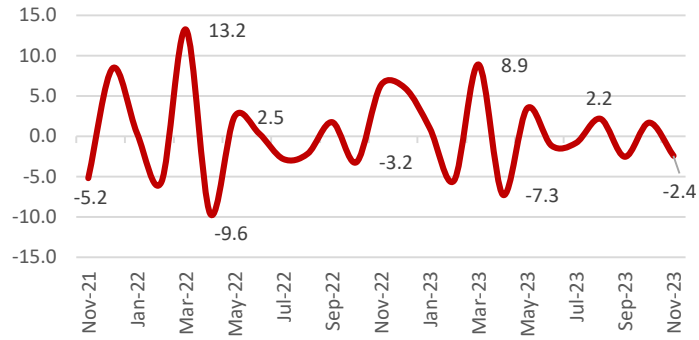
IIP moderates to 2.4 % in November 2023

Index of Industrial Production

IIP growth (y-o-y in %)



IIP growth (m-o-m in %)



Source: CMIE

❖ The growth in index of industrial production moderated to 2.4 percent on y-o-y basis touching an 8-month low in Nov 2023. This was a sharp fall over a remarkable 11.6 percent growth recorded in Oct 2023 and 7.6 percent growth witnessed in Nov 2022. On a sequential basis, the overall index recorded a contraction of 2.4 percent in Nov 2023, after posting a m-o-m expansion of 1.7 percent in the previous month (Oct 2023). A conspicuous moderation in manufacturing sector growth and the base effect were the primary reasons behind the recent weak industrial performance.

❖ As per the economic activity wise classification of the index, all the three broad sub-segments reported a moderation. While the mining & quarrying sector derailed from its four-month streak of double-digit growth to register 6.9 percent expansion on y-o-y basis in Nov 2023; growth in the electricity sector also moderated to 5.8 percent in the month of Nov 2023 vis-à-vis a double-digit growth of 20.4 percent in Oct 2023. Substantial moderation was witnessed in the manufacturing sector performance - which registered a growth of only 1.2 percent in Nov 2023 vis-à-vis 10.2 percent growth in the month of Oct 2023. Out of the 23 sub-segments of manufacturing, an overwhelming 17 sub-sectors recorded a contraction.

❖ In case of use-based classification of the index, the five broad segments also reported a slack in momentum. Sharp moderation was registered in capital and infra/construction goods sub-segments. While the former contracted by 1.1 in Nov 2023 from a robust 21.3 percent growth witnessed in Oct 2023, the latter moderated to 1.5 percent from 11.3 percent growth marked in the previous month. In addition to regressed investment prospects, the demand momentum also remained subdued as indicated by the latest data on consumer goods sub-segment. After registering expansion for prior four months straight, the consumer goods segment contracted by 4.2 percent in the month of Nov 2023 led by a deceleration in both durable and non-durable sub-segments. While the durables sector contracted by 5.4 percent in month of Nov 2023 vis-à-vis robust 15.9 percent growth seen in Oct 2023, non-durables contracted by 3.6 percent in Nov 2023 as opposed to an appreciable 8.8 percent growth in the previous month.

Industrial Performance – Segment wise- Growth (% YoY)

	Weight	Nov- 22	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23
IIP	100	7.6	6.2	10.9	6.2	11.6	2.4
Economic-activity based classification							
Mining & quarrying	14.4	9.8	10.7	12.4	11.5	13.1	6.9
Manufacturing	77.6	6.7	5.3	10.0	4.9	10.2	1.2
Electricity	8.0	12.7	8.0	15.3	9.9	20.4	5.8
Use based classification							
Primary goods	34.1	4.8	7.7	12.4	8.0	11.4	8.5
Capital goods	8.2	20.7	5.2	13.1	8.4	21.3	-1.1
Intermediate goods	17.2	3.5	3.2	7.4	6.1	9.4	3.5
Infra/constn goods	12.3	14.3	12.5	15.7	8.9	11.3	1.5
Consumer goods	28.2	8.1	3.4	8.3	2.2	11.6	-4.2
Durables	12.8	5.0	-3.6	6.0	1.1	15.9	-5.4
Non-durables	15.3	10.0	8.3	9.9	3.0	8.8	-3.6

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Manufacturing : Major Sub-segments

Manufacturing Subsegments – High Growth (YoY%)					Manufacturing Subsegments - Negative Growth (YoY%)				
Segment	Weight	Sep-23	Oct-23	Nov-23	Segment	Weight	Sep-23	Oct-23	Nov-23
Coke and refined petroleum products	11.77	2.7	2.4	14.2	Electrical equipment	3.00	8.0	13.3	-16.8
Other transport equipment	1.78	7.1	23.3	9.8	Chemicals and chemical products	7.87	-5.7	4.2	-3.9
Motor vehicles, trailers and semi-trailers	4.86	11.4	24.7	9.2	Food products	5.30	0.4	7.3	-3.7
Beverage	1.04	9.7	9.7	8.5	Textiles	3.29	3.8	6.9	-3.7
Basic metals	12.80	13.9	11.9	7.2	Pharmaceuticals, medicinal chemical and botanical products	4.98	6.8	11.3	-3.0

Core Sector Performance - Growth (y-o-y in %)

Month	Overall index	Coal	Crude oil	Natural gas	Refinery products	Fertilizers	Steel	Cement	Electricity
Nov-22	5.7	12.3	-1.0	-0.6	-9.3	6.4	11.5	29.1	12.7
Jul-23	8.6	15.0	2.1	8.8	3.5	3.3	14.9	6.9	8.0
Aug-23	13.4	17.9	2.2	10.0	9.6	1.8	16.4	19.3	15.3
Sep-23	9.2	16.0	-0.4	6.5	5.5	4.2	13.8	4.6	9.9
Oct-23	12.0	18.4	1.3	10.0	4.3	5.3	10.7	17.4	20.4
Nov-23	7.8	10.9	-0.4	7.5	12.4	3.3	9.1	-3.6	5.6

Source: CMIE

Growth in core sector output fell to a five-month low of 7.8 percent in the month of Nov 2023, vis-à-vis 12.1 percent y-o-y growth witnessed in Oct 2023. Among the eight core sectors, refinery products emerged as a top performer - reporting a remarkable expansion of 12.4 percent growth on y-o-y basis in Nov 2023 vis-a-vis 4.3 percent growth seen in Oct 2023. In the remaining sectors, while the growth in natural gas, fertilizers, steel and electricity eased to 7.5 percent, 3.3 percent, 9.1 percent and 5.6 percent respectively in the month Nov 2023, the growth in crude oil and cement sectors reported contraction. Pricked by high base and decelerated growth in the housing segment, cement contacted by 3.4 percent in Nov 2023 from a robust double-digit growth of 17.4 percent registered in the previous month.

Comments

The deceleration in industrial production aligns with broad expectations and comes on back of a shift in the festive period. Looking ahead, based on the readings of some high-frequency indicators such as PMI Manufacturing, sale of passenger vehicles, finished steel production, we see a moderating trend for December 2023. Also, the export performance has been subdued and the ongoing tensions in the Red Sea have raised further concerns.