

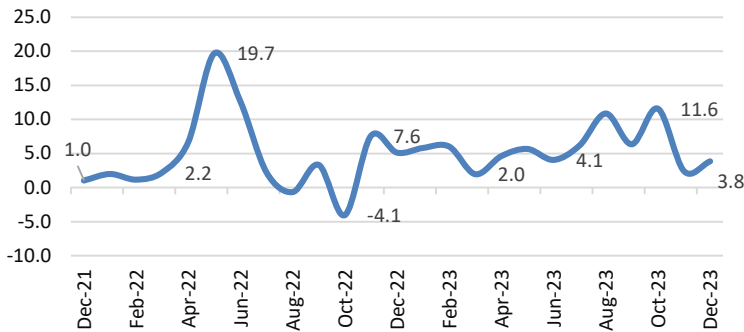
Fact Sheet – Index of Industrial Production (IIP)

February 2024

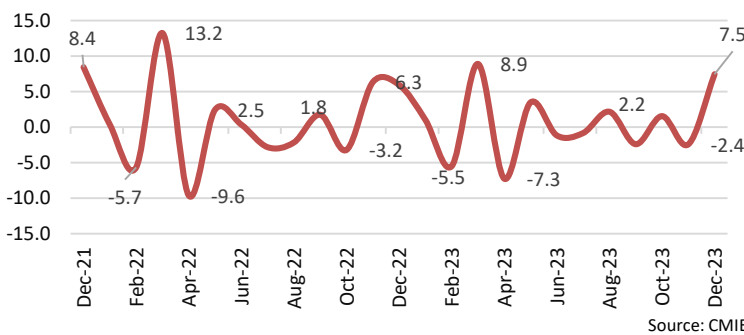
IIP expands 3.8% in December 2023

Index of Industrial Production

IIP growth (y-o-y in %)



IIP growth (m-o-m in %)



Source: CMIE

❖ The index of industrial production grew by 3.8 percent on y-o-y basis in Dec 2023. This was a marginal improvement over 2.4 percent growth recorded in Nov 2023 but a decline over 5.1 percent growth witnessed in Dec 2023. On a sequential basis, the overall index recorded a remarkable expansion of 7.5 percent in Dec 2023, after posting a m-o-m contraction of 2.4 percent in the previous month (Nov 2023).

❖ As per the economic activity wise classification of the index, barring manufacturing, all the broad segments reported a moderation. While the mining & quarrying sector moderated for the second consecutive month to register 5.1 percent growth vis-à-vis 7.0 percent marked in Nov 2023; growth in the electricity sector moderated sharply from 5.8 percent in the month of Nov 2023 to dismal 1.2 percent growth in Dec 2023. On the other hand, the manufacturing sector witnessed an uptick and clocked 3.9 percent growth in Dec 2023 vis-à-vis 1.2 percent growth marked in the previous month. Despite an unfavorable base, improvement in manufacturing segment, which has 77.6 percent weightage, pulled up the overall industrial production index. Out of the 23 sub-segments of manufacturing, a remarkable 13 sub-sectors recorded an expansion on y-o-y basis.

❖ In case of use-based classification of the index, sans primary goods, all the broad segments reported an increase in momentum. The capital goods segment turned over the contraction recorded in previous month to register 3.2 percent growth in Dec 2023.

❖ Likewise, an improvement was witnessed in infra segment which grew by 4.1 percent in Dec 2023 vis-à-vis 1.7 percent growth recorded in previous month. The consumer goods segment delivered a better-than-expected performance, registering a significant expansion of 3.0 percent in December 2023, marking a sharp turnaround from the 4.0 percent contraction observed in the prior month. Supported by a negative base, the durables sector component of consumer goods, expanded by 4.8 percent in month of Dec 2023 vis-à-vis 5.5 percent contraction seen in Nov 2023. The non-durables sub-segment, too, reported an expansion and marked 2.1 percent growth in Dec 2023 vis-à-vis 3.3 percent contraction witnessed in Nov 2023.

Industrial Performance – Segment wise- Growth (% YoY)

	Weight	Dec-22	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23
IIP	100	5.1	10.9	6.3	11.6	2.4	3.8
Economic-activity based classification							
Mining & quarrying	14.4	10.1	12.4	11.5	13.1	7.0	5.1
Manufacturing	77.6	3.7	10.0	5.1	10.2	1.2	3.9
Electricity	8.0	10.4	15.3	9.9	20.4	5.8	1.2
Use based classification							
Primary goods	34.1	8.5	12.4	8.0	11.4	8.5	4.6
Capital goods	8.2	7.8	13.1	8.4	21.3	-1.1	3.2
Intermediate goods	17.2	1.5	7.4	6.1	9.4	3.1	3.4
Infra/constn goods	12.3	11.0	15.7	10.1	11.3	1.7	4.1
Consumer goods	28.2	0.5	8.3	1.9	11.6	-4.0	3.0
Durables	12.8	-11.2	6.0	1.0	15.9	-5.5	4.8
Non-durables	15.3	7.9	9.9	2.6	8.8	-3.3	2.1

Source: CMIE

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Manufacturing : Major Sub-segments

Manufacturing Subsegments – High Growth (YoY%)					Manufacturing Subsegments - Negative Growth (YoY%)				
Segment	Weight	Oct-23	Nov-23	Dec-23	Segment	weight	Oct-23	Nov-23	Dec-23
Basic metals	12.8	11.9	7.2	7.3	Chemicals and chemical products	7.87	4.2	-4.0	-0.2
Coke and refined petroleum products	11.77	2.4	14.2	6.9	Machinery and equipment n.e.c.	4.77	25.2	-1	-0.1
Food products	5.3	7.3	-3.9	1.2	Computer, electronic and optical products	1.57	-7.4	-24.0	-5.2
Pharmaceuticals, medicinal chemical and botanical products	4.98	11.3	-2.4	3.0	Wearing apparel	1.32	-5.4	-20.6	-10.3
Motor vehicles, trailers and semi-trailers	4.86	24.7	9.2	9.2	Other manufacturing	0.94	30.7	-14.8	-26.4

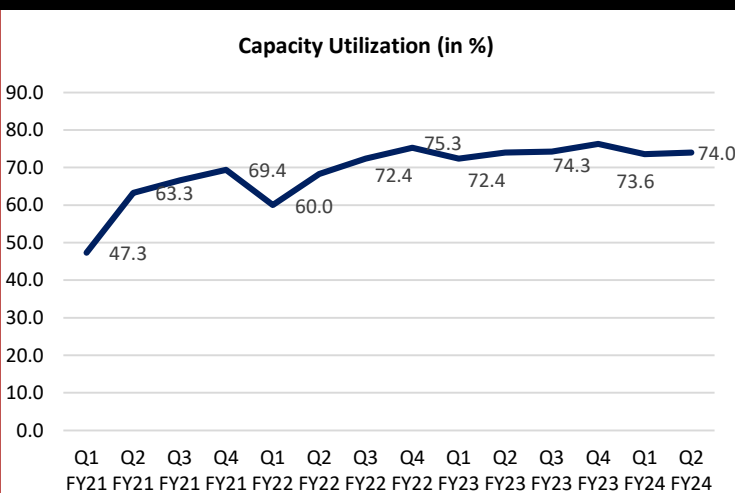
Core Sector Performance - Growth (y-o-y in %)

Month	Overall index	Coal	Crude oil	Natural gas	Refinery products	Fertilizers	Steel	Cement	Electricity
Dec-22	8.3	12.2	-1.1	2.5	3.7	7.3	12.4	9.5	10.4
Aug-23	13.4	17.9	2.2	10.0	9.6	1.8	16.4	19.7	15.3
Sep-23	9.5	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	7.9	10.9	-0.4	7.5	12.4	3.3	9.1	-4.0	5.8
Dec-23	3.9	10.6	-1.0	6.7	2.7	5.9	5.9	1.3	0.6

Source: CMIE

❖ Growth in core sector output fell to a fourteen-month low of 3.9 percent in the month of Dec 2023, vis-à-vis 7.9 percent y-o-y growth witnessed in Nov 2023 on account of high base and a moderation in the growth of six out of eight sectors. Riding on back of higher mining in preparation for greater power demand due to winter, coal maintained its double-digit growth and registered growth of 10.6 percent in Dec 2023- a slight moderation from 10.9 percent growth marked in Nov 2023. Moderation was sharp in electricity and refinery products sectors which tapered down from 5.8 percent and 12.4 percent to 0.6 percent and 2.7 percent, respectively. Conversely, fertilizers, anchored by rabi sowing, registered an uptick and clocked 5.9 percent growth vis-à-vis 3.3 percent marked in the previous month. Cement also recovered from previous month's contraction and marked 1.3 percent growth in Dec 2023.

Capacity Utilisation : Manufacturing



Source: RBI Order Books, Inventories and Capacity Utilisation Survey on the Manufacturing sector for Q2:2023-24, February 2024

Business Expectations (Net Response in %)

Parameters	Q4:2023-24	Q1:2024:25	Q2:2024:25
Overall Business Situation	58.3	58.6	62.9
Production	58.1	57.0	59.7
Order Books	55.8	58.7	61.5
Capacity Utilization	46.7	53.6	56.3
Employment	39.5	44.8	43.0
Cost of Raw Materials	-54.2	-53.2	-54.0
Selling Prices	34.8	41.5	42.1

Net Response= difference between % of respondents reporting optimism and % reporting pessimism

Source: RBI Industrial Outlook Survey, February 2024

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❖ As per RBI's latest Order Books, Inventories and Capacity Utilization Survey, the capacity utilization in the manufacturing sector sequentially improved from 73.6 per cent in Q1 2023-24 to 74.0 per cent in Q2 2023-24. Further, as per the results of the Industrial Outlook Survey released by RBI, manufacturing companies remain optimistic on production, capacity utilization, order books, employment conditions and overall business situation in the forthcoming fiscal year.

Comments

The improvement in the industrial production index though positive needs to firm up further. Nonetheless, the sequential uptick in numbers has been significant in December 2023. Looking ahead, based on the readings of some high-frequency indicators such as PMI Manufacturing, which rose sharply backed by new order placement, further improved readings in industrial production can be expected for the month of Jan 2024.