

Macro Insights

12th August 2022

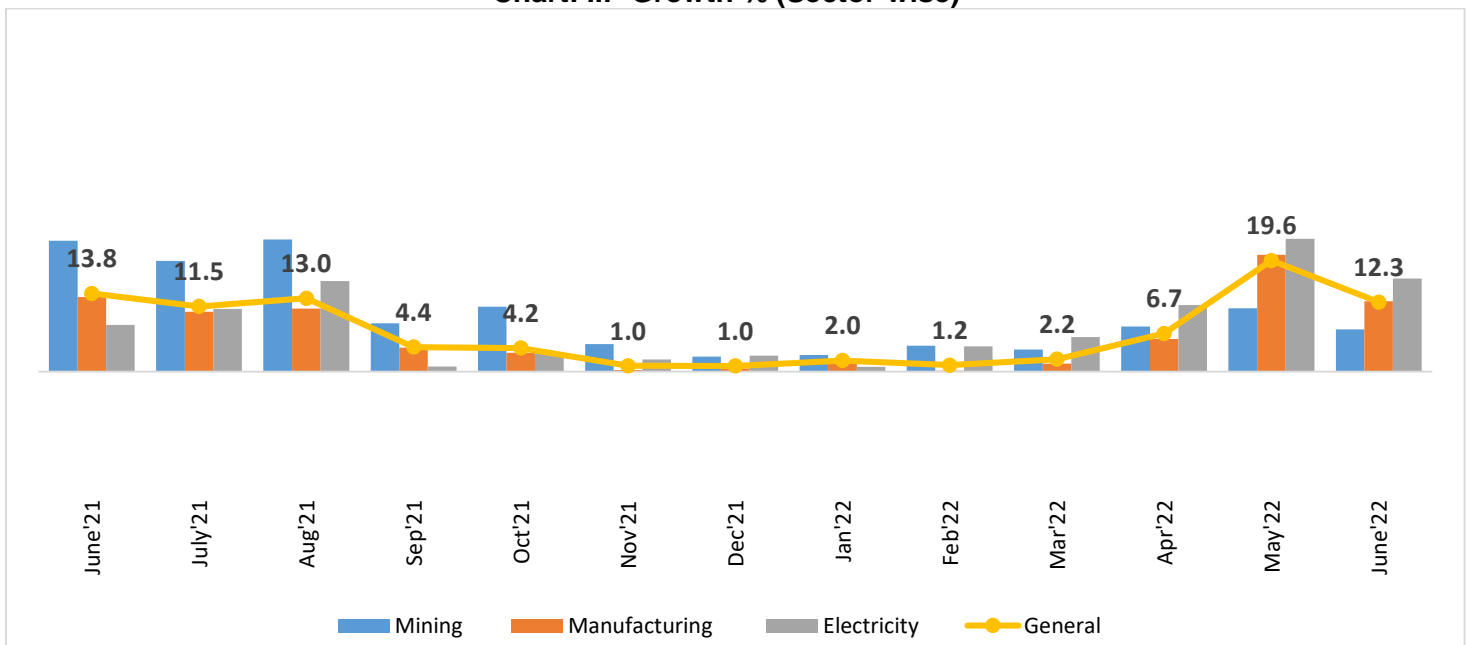
IIP slows down to 12.3% in June, but remains in double digit

India's industrial output grew 12.3% in June, moderating from 19.6% this May

Highlights:

- India's industrial output growth has been led by a 16.4% uptick in electricity and 12.5% growth in manufacturing. Mining activity grew 7.5% in the month.
- The Index of Industrial Production (IIP), however, grew only 0.14% over May 2022 levels, with manufacturing being the only sector to report a sequential uptick in output in June, rising 1.34%.
- Production of consumer durables and capital goods led the growth trajectory among use-based categories for the second month in a row, rising 26.1% and 23.8%, respectively, in June.

Chart: IIP Growth % (Sector-wise)



Note: General implies overall IIP

Table: IIP growth % (Sector-wise)

Component	Weight	June 21	June 22	April-June'21	April-June'22
Mining	14.37%	23.1	7.5	27.5	9.0
Manufacturing	77.63%	13.2	12.5	52.9	12.7
Electricity	7.99%	8.3	16.4	16.8	17.1
IIP Index -General	100%	13.8	12.3	44.4	12.7

Table: IIP growth % (Usage-wise)

Component	Weight	June 21	June 22	April-June'21	April-June'22
Primary Goods	34.05%	12.0	13.7	20.8	13.9
Capital Goods	8.22%	27.3	26.1	109.0	29.5
Intermediate Goods	17.22%	22.6	11.0	69.8	11.7
Infra/Construction Goods	12.34%	20.0	8.0	84.0	9.8
Consumer Durables	12.84%	28.0	23.8	123.1	26.6
Consumer Non- Durables	15.33%	-3.9	2.9	17.4	1.2

Views:

- The drop in IIP number from May 2022 is clearly attributed to effects of a 'normalizing base'.
- The healthy growth in capital and infrastructure goods is encouraging, signaling revival in investment activity on the back of capex push. The healthy growth reflected in manufacturing output has given support to overall IIP activity reflecting therein improving demand conditions and easing of supply-side challenges.
- IIP is expected to remain in positive territory going forward.

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