

Macro Insights

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India's IIP contracts by 0.8%.

- Ministry of Statistics and Programme Implementation (MOSPI) has released the monthly statistics on Index of Industrial Production (IIP) for August'22. Index of Industrial Production (IIP) contracted by 0.8% in August '22 after growing by 2.2% in July'22. IIP had registered the growth of 13.0% in August'21 last year.



The IIP contraction mainly on account of manufacturing and mining sectors.

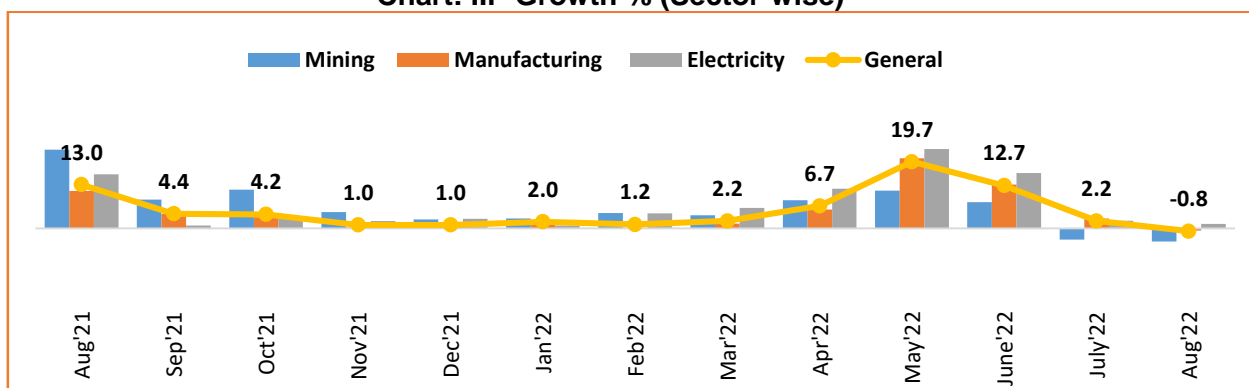


The electricity sector was the only one that witnessed a growth of 1.4 per cent to 191.3 in August'22.



In terms of Usage wise growth in IIP, except consumer non-durables and consumer durables contracted.

Chart: IIP Growth % (Sector-wise)



Note: General implies overall IIP

Table: IIP growth % (Sector-wise)

Component	Weight	August 21	August 22	April-August'21	April-August'22
Mining	14.37%	23.3	-3.9	25.0	4.2
Manufacturing	77.63%	11.1	-0.7	31.6	7.9
Electricity	7.99%	16.0	1.4	15.4	10.6
IIP Index -General	100%	13.0	-0.8	29.0	7.7

Table: IIP growth % (Usage-wise)

Component	Weight	August 21	August 22	April-August'21	April-August'22
Primary Goods	34.05%	16.9	1.7	18.2	9.1
Capital Goods	8.22%	20.0	5.0	60.3	18.7
Intermediate Goods	17.22%	11.8	0.6	40.4	7.6
Infra/Construction Goods	12.34%	13.5	1.7	45.8	7.2
Consumer Durables	12.84%	11.1	-2.5	55.0	14.5
Consumer Non- Durables	15.33%	5.9	-9.9	10.3	-1.9

- The IIP contraction in August was mainly because of manufacturing and mining sectors.
- The manufacturing sector contracted (-)0.7 per cent on-year to 131.0 in August'22
- The mining sector saw a decline of (-) 3.9 per cent to 99.6 in August'22.
- The electricity sector was the only one that witnessed a growth of 1.4 per cent to 191.3 in August'22.
- In terms of Usage wise growth in IIP, except consumer non-durables and consumer durables, rest other have registered the positive growth.

Our View:

- The drop in IIP number is clearly attributed to effects of a 'normalizing base' while it also reflects the drop in demand. The other factors contributed towards the growth is heavy rainfall dampening construction activity and electricity demand.
- The healthy growth in capital and infrastructure goods is encouraging, signaling revival in investment activity on the back of capex push.
- IIP numbers continue to remain frail going forward, however, the ongoing season of festivities may see some growth in the coming months in IIP numbers.

Economic Intelligence Cell

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