

10 May 2024

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IIP growth eases in Mar'24

IIP growth moderated to 4.9% in Mar'24 from 5.6% in Feb'24, led by improvement in manufacturing and electricity output. Within manufacturing, improvement was visible across sectors including wearing apparel and pharma products. Within use-based classification, capital, and consumer non-durable output outshined, signaling steam in the economic engines. However, concerns from global economy continues on account of uncertainty on interest rate outlook by Central Banks and ongoing geo-political tensions remains a concern. On domestic front, the current heatwave conditions continue to pose challenges with water reservoir level much lower than last season. However, IMD has projected above normal monsoon which holds key for the kharif crops. Moreover, the likelihood of political stability and strong domestic fundamentals are key positive for the economy.

IIP growth weakens: IIP growth came in below our expectations (6%) at 4.9% in Mar'24 compared with a growth of 5.6% in Feb'24. This was led by sharp slowdown in mining activity which registered a modest growth of 1.2%, lowest growth in over 19-months from 8.1% in Feb'24. On the other hand, manufacturing output rose to a 5-month high to 5.2% in Mar'24 from 4.9% in Feb'24. Manufacturing sector gained with over 6 out of 23 sub-industries registering improvement. Bulk of this gain was accounted by production of pharma, medicinal products (16.7% versus -10.6%), wearing apparel (7.5% versus -2.8%) and furniture (31% versus 23%). Notably manufacture of following products including tobacco products (-17.9% versus -0.4%), leather products (-10.3% versus 1.8%) registered sharp contraction in Mar'24. Production of beverages decelerated down to 0.4% (13.4% in Feb'23). Electricity production accelerated to 8.6% against a growth of 7.5% in Feb'24. Moderation was seen in mining production at xx% against xx% in Feb'24.

For FY24, IIP growth has registered an improvement at 5.8% against a growth of 5.2% in FY23. Mining and manufacturing have also recorded much higher growth at 7.5% (5.8% last year) and 5.5% (4.7% in FY23) respectively in FY24. Electricity output moderated down to 7.1% in FY24 against a growth of 8.9% in the previous year.

Capital and FMCG goods shines: Within use-based, capital goods output accelerated to 5-month high to 6.1% in Mar'24 compared with a growth of 1% in Feb'24, led by government push. After contracting by 3.5% in Feb'24, output of consumer non-durable rebounded to 4.9% in Mar'24. On the other hand, output of primary goods output and intermediate goods disappointed the most clocking a growth of 2.5% (5.9% in Feb'24) and 5.1% (8.7% in Feb'24) in Mar'24 respectively. Infrastructure goods output eased down by 6.9% noting the slowdown in steel output. Moreover, output of consumer durable goods also registered moderation at 9.5% (12.4% in Feb'23). For FY24, capital goods output at 6.2% versus 13.1% in FY23 disappointed the most.

Way forward: The global environment continue to lace with uncertainty, given the uncertainty due to ongoing geo-political tensions and interest rate trajectory by Central banks. Additionally, amidst the ongoing elections, government capex might hit snooze in Q1FY25 with possible revival in H2. However,

resilient domestic demand (strong manufacturing PMI, GST collections at a record high, greater demand for electricity) will play in favour of the manufacturing sector in FY25. For rural demand, the focus will shift towards spatial and temporal distribution of monsoon which is expected to be above normal this year.

Table 1: IIP growth expands further in FY24

Sectoral (%)	Weight	Feb-24	Mar-24	Mar-23	Apr-Mar'23	Apr-Mar'24
IIP	100.0	5.6	4.9	1.9	5.2	5.8
Mining	14.4	8.1	1.2	6.8	5.8	7.5
Manufacturing	77.6	4.9	5.2	1.5	4.7	5.5
Electricity	8.0	7.5	8.6	(1.6)	8.9	7.1
Use-Based						
Primary goods	34.1	5.9	2.5	3.3	7.5	6.0
Capital goods	8.2	1.0	6.1	10.0	13.1	6.2
Intermediate goods	17.2	8.7	5.1	1.8	3.8	5.2
Infrastructure and construction goods	12.3	8.5	6.9	7.2	8.4	9.6
Consumer durables goods	12.8	12.4	9.5	(8.0)	0.6	3.6
Consumer non-durables goods	15.3	(3.5)	4.9	(1.9)	0.7	4.0

Source: CEIC, Bank of Baroda Research

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