

Industrial production surges to 6-month high

IIP growth registered a robust growth of 5.2% in Nov'24 against a growth of 3.7% in Oct'24. This was supported by improvement across all the sectors. Manufacturing sector expanded by 5.8%, with over 15 sub-sectors registering stronger growth than last year. Both mining and electricity sector registered strong growth in Nov'24. Within use-based classification, capital goods, infra good and consumer durable goods registered a healthy increase in Nov'24. A festival push during this period, supported the production. In the coming months, we expect a steady pick up in production level. This has been reflected by high frequency indicators. Moreover, given the expectation of higher government spending followed by improvement in investment in H2, the IIP growth is likely to be higher in H2FY25. The attention will now shift towards upcoming Budget and RBI policy which is expected to be growth conducive.

IIP growth strengthens: IIP growth rose by 5.2% (6-month high) in Nov'24 compared with 3.7% in Oct'24. This was much higher than BoB's estimate of 4.5% increase. This was driven by broad-based improvement across all the sectors. Manufacturing sector registered a strong growth of 5.8% (8-month high) against a growth of 4.4% in Oct'24. Both mining and electricity output expanded to 1.9% (0.9% in Oct'24) and 4.4% (from 2%) respectively for Nov'24. The festive period has pushed forward the production. On a FYTD basis, IIP growth moderated to 4.1% compared with 6.5% growth registered last year. Manufacturing (4.1% against 5.9%) and mining (3.3% against 9.1%) sectors also noted slower growth in FYTD'24. Electricity growth too softened to 5.3% from 7.7% last year.

Within manufacturing, out of 23 sub-sectors, 15 contributed to higher growth in Nov'24. These included, manufacture of furniture, computer & electronic, fabricated metal, machinery equipment, other non-metallic minerals amongst others. Notably, 7 sectors have recorded slower growth including, manufacture of rubber, plastics, other transport equipment and coke and refined petroleum products during the same period.

Capital good shines: Within use-based classification, infrastructure and capital goods output registered remarkable growth at 10% (4.8% in Oct'24) and 9% (3.1% in Oct'24) in Nov'24 respectively. Both primary (2.7% from 2.5% in Oct'24) and intermediate goods (5% from 4.6% in Oct'24) also registered an improvement in Nov'24. Interestingly, growth for consumer durable output accelerated to a 13-month to 13.1% in Nov'24 compared with a growth of 5.7% in Oct'24. However, the only disappointment was the slower growth in FMCG goods at 0.6% (2.6% in Oct'24) in Nov'24.

Way forward: Amidst lower manufacturing, the advance estimates have recently pegged lower industrial sector growth at 6.2% in FY25 from 9.5% in FY24 on account of base effect. However, despite these figures, a revival is expected in H2 (H1FY25 at 4.1%) which has been evident from the incoming data such as the GST collections, steady PMIs. Additionally, a push to capex spending as well as recovery in investment cycle in the coming months bodes well for the overall sector. The focus will now shift towards upcoming Budget with expectation of announcements that will boost manufacturing growth.

Table 1: Stronger IIP growth noted in Oct'24

Sectoral (%)	Weight	Sep-24	Oct-24	Nov-24	Apr-Nov'23	Apr-Nov'24
IIP	100.0	3.1	3.7	5.2	6.5	4.1
Mining	14.4	0.2	0.9	1.9	9.1	3.3
Manufacturing	77.6	3.9	4.4	5.8	5.9	4.1
Electricity	8.0	0.5	2.0	4.4	7.7	5.3
Use-Based						
Primary Goods	34.1	1.8	2.5	2.7	7.2	4.0
Capital Goods	8.2	3.6	3.1	9.0	7.6	4.4
Intermediate Goods	17.2	3.6	4.5	5.0	5.0	4.2
Infrastructure and Construction Goods	12.3	3.2	4.8	10.0	11.4	6.3
Consumer Durables Goods	12.8	6.5	5.7	13.1	0.6	8.7
Consumer Non-Durables Goods	15.3	2.2	2.6	0.6	5.7	(0.5)

Source: CEIC, Bank of Baroda Research

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