

INDEX OF INDUSTRIAL PRODUCTION

**IIP expanded by 3.1% in September
2024 amid pre-festive stocking,
favourable base; growth foreseen at
3-4% in October 2024**

NOVEMBER 2024





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IIP reverted to a YoY growth of 3.1% in September 2024, supported by a favourable base and pre-festive stocking

The improvement in September 2024 vis-à-vis August 2024 was broad based across all sectors as well as use-based categories

ICRA anticipates the YoY IIP growth to print at 3.0-4.0% in October 2024

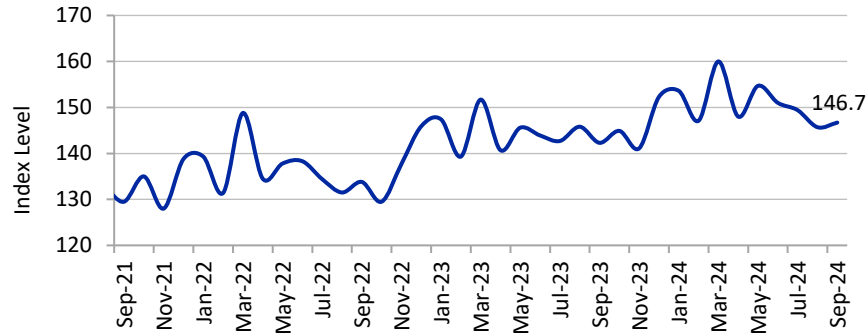
The Index of Industrial Production (IIP) reverted to a year-on-year (YoY) expansion of 3.1% in September 2024 (+6.4% in September 2023) after declining by 0.1% in August 2024 (+10.9% in August 2023), amid a favourable base. The uptick was broad based with all the sub-sectors and use-based categories witnessing an improvement in their YoY performance between these months. Looking ahead, the YoY performance of majority of the available high frequency indicators has improved in October 2024, relative to September 2024. Balancing between the positive impact of the early onset of the festive season and an unfavorable base (+11.9% in October 2023), ICRA anticipates the YoY IIP growth to print at 3.0-4.0% in October 2024.

- **IIP reverted to YoY expansion in September 2024:** The IIP saw a turnaround to a YoY growth of 3.1% in September 2024 (+6.4% in September 2023) after contracting by 0.1% in August 2024 (+10.9% in August 2023), aided by a favourable base as well as pre-festive stocking. The uptick was broad based, with the output of mining (to +0.2% from -4.3%), manufacturing (to +3.9% from +1.1%), and electricity generation (to +0.5% from -3.7%) witnessing an improvement in their YoY performance between these months. However, IIP growth slowed to an eight-quarter low of 2.6% in Q2 FY2025 (+7.8% in Q2 FY2024) from 5.5% in Q1 FY2025 (+4.8% in Q1 FY2024), partly owing to a high base as well as disruptions owing to excess rainfall, which would weigh upon industrial GVA growth in the quarter.
- **All use-based categories saw a broad-based improvement in September 2024:** The output of primary goods (to +1.8% from -2.6%) and consumer non-durables (to +2.0% from -4.5%) reverted to a YoY expansion in September 2024, after contracting in the previous month, while the other four categories saw an uptick in their growth rates.
- **IIP growth to print at 3.0-4.0% in October 2024:** The YoY performance of majority of the available high frequency indicators recorded an improvement in October 2024 vis-à-vis September 2024. Balancing between the positive impact of the early onset of the festive season* and an unfavorable base (+11.9% in October 2023), ICRA expects the YoY IIP growth to print at 3.0-4.0% in October 2024.

*festive period: a) 2022 – Sep 26, 2022 to Nov 6, 2022; b) 2023 – Oct 15, 2023 to Nov 25, 2023; c) 2024 – Oct 3 to Nov 15, 2024.

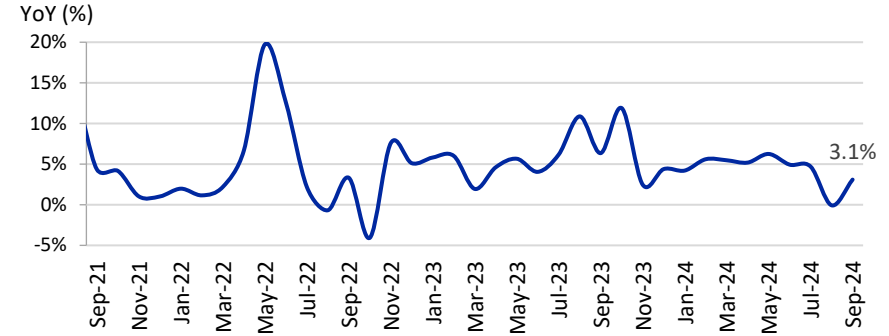
IIP rebounded to YoY expansion of 3.1% in September 2024, supported by low base, pre-festive stocking

EXHIBIT: Trends in index levels of IIP



Source: National Statistical Office (NSO); CEIC; ICRA Research

EXHIBIT: Trends in YoY growth of IIP

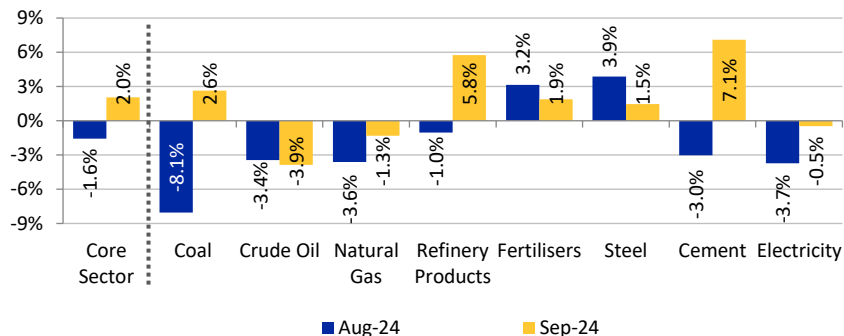


Source: NSO; CEIC; ICRA Research

- The IIP reverted to a YoY expansion of 3.1% in September 2024 (+6.4% in September 2023) from the contraction of 0.1% seen in August 2024 (+10.9% in August 2023), while printing lower than ICRA's expectation of 3.8%.
- The uptick in the performance of industrial output was broad based, with the output of mining (to +0.2% from -4.3%, led by coal and natural gas output), manufacturing (to +3.9% from +1.1%; owing to a favourable base and pre-festive stocking), and electricity generation (to +0.5% from -3.7%, amid a low base) recording an improvement in their YoY performance in September 2024, relative to the previous month.

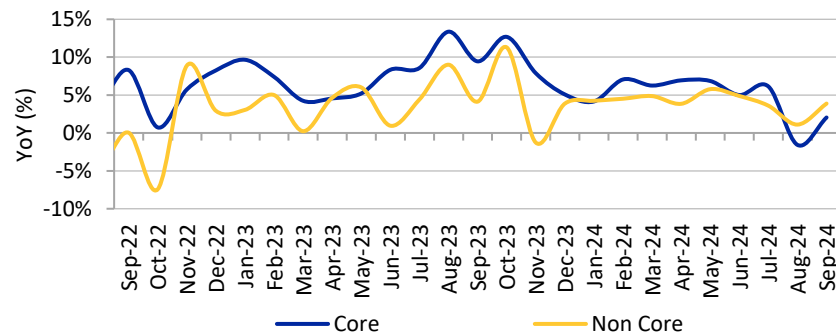
Core sector output rose by 2.0% YoY in September 2024, lower than the growth seen in the non-core sector

EXHIBIT: YoY performance of core sector and its sub-components



Source: Index of Eight Core Industries, Office of Economic Adviser, Ministry of Commerce and Industry; CEIC; ICRA Research

EXHIBIT: YoY trends in output of core and non-core sectors of the IIP

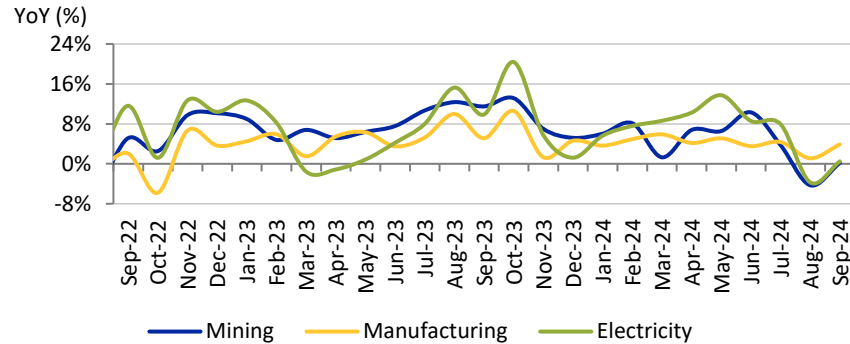


The non-core output is computed by excluding core output from the IIP; Source: Index of Eight Core Industries, Office of Economic Adviser, Ministry of Commerce and Industry; CEIC; ICRA Research

- The core sector output reverted to a YoY expansion of 2.0% in September 2024 (vs. -1.6% in August 2024), with the easing of disruptions related to rainfall on sectors like mining and electricity. The disaggregated trends are relatively healthy, with a sequential improvement in the YoY growth of five of the eight sub-sectors.
- The YoY performance in the output of coal (to +2.6% in September 2024 from -8.1% in August 2024), cement (to a six-month high +7.1% from -3.0%), and refinery products (to +5.8% from -1.0%) reverted to a YoY expansion in September 2024, after contracting in the previous month, partly aided by a low base. Additionally, the YoY contraction in the output of natural gas (to -1.3% from -3.6%) and electricity generation (to -0.5% from -3.7%) narrowed between these two months. In contrast, the YoY performance of the output of crude oil (to a 19-month low -3.9% from -3.4%), fertilisers (to +1.9% from +3.2%), and steel (to a 33-month low +1.5% from +3.9%) worsened in September 2024, vis-à-vis the previous month.
- The performance of the non-core sector (+3.9% YoY; weight in IIP: 59.7%) outpaced that of the core sector output (+2.0%; weight in IIP: 40.3%) in September 2024, for the second consecutive month.
- While the core sector output grew by a muted 2.2% YoY in Q2 FY2025 (+6.3% in Q1 FY2025; +10.5% in Q2 FY2024), amidst an adverse base and slowdown related to excess rainfall, **ICRA expects the growth to improve in the ongoing quarter, partly aided by the expected pick up in the Govt's capital expenditure.**

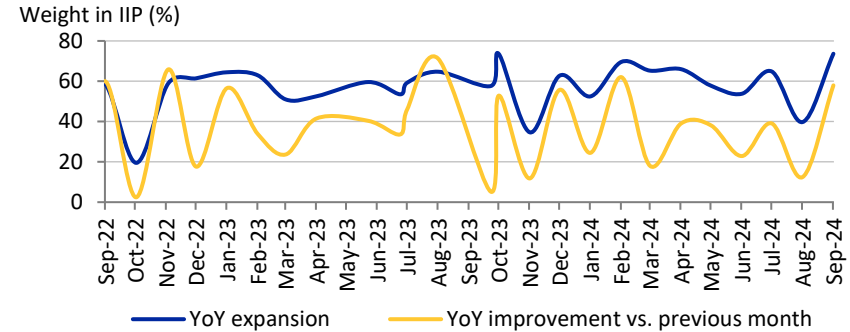
Uptick in manufacturing output growth in September 2024 vis-à-vis August 2024 was driven by 17 of the 23 sub-sectors

EXHIBIT: YoY trends in IIP (sectoral-based)



Source: NSO; CEIC; ICRA Research

EXHIBIT: Weightage (%; in IIP) of manufacturing sub-sectors reporting YoY expansion and improvement in YoY growth vs. previous month

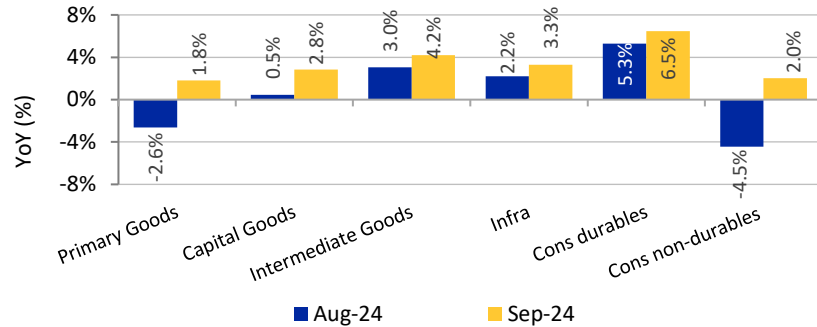


Source: NSO; CEIC; ICRA Research

- The uptick in the YoY growth in manufacturing output in September 2024 vis-à-vis August 2024 was broad based, with as many as 17 of the 23 sub-sectors (with a large weight of 57.9% in the IIP) witnessing an improvement in their YoY performance between these months; this subset includes coke and refined petroleum products, food products, motor vehicles, trailers and semi-trailers, etc.
- In contrast, the output of the remaining six sub-sectors (with a much lower weight of 19.7% in the IIP) witnessed a deterioration in their YoY performance in September 2024 vis-à-vis August 2024. This sub-set includes basic metals, textiles, wearing apparel, etc.
- Notably, the production of 18 of the 23 sub-sectors of manufacturing (with a weight of 73.7% in the IIP) expanded on a YoY basis in September 2024, while the output of five sub-sectors (with a marginal weight of 4.0% in the IIP) contracted in that month.

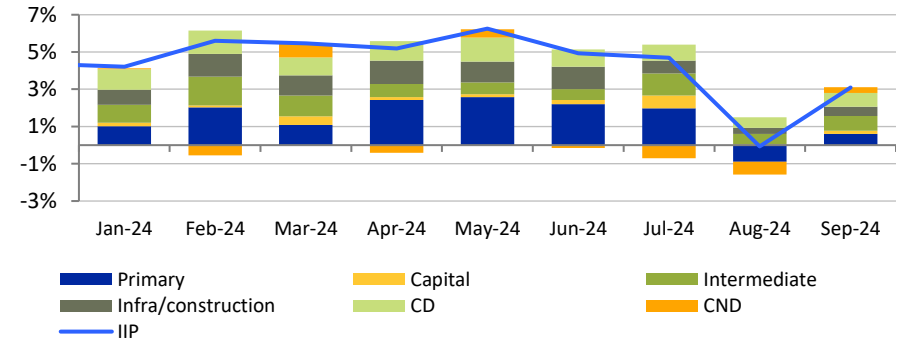
YoY performance of all use-based categories saw broad based improvement in September 2024, largely supported by favourable base

EXHIBIT: YoY trends in IIP (use-based)



Source: NSO; CEIC; ICRA Research

EXHIBIT: Contribution to IIP growth by use-based categories

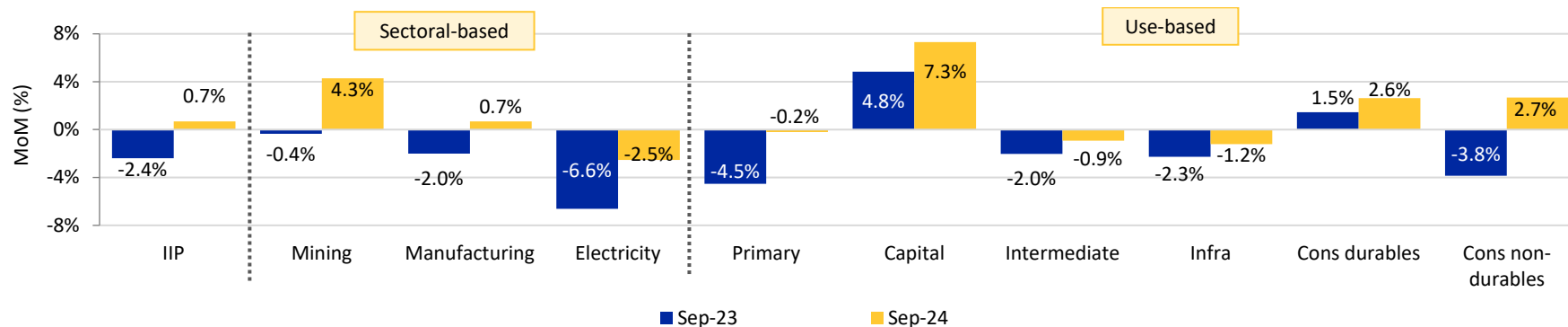


*CD: Consumer durables; CND: Consumer non- durables; Source: NSO; CEIC; ICRA Research

- The YoY performance of all the use-based categories witnessed an improvement in September 2024 vis-à-vis August 2024. Notably, the output of primary goods (to +1.8% in September 2024 from -2.6% in August 2024; amid better performance of electricity generation and refinery products) and consumer non-durables (to +2.0% from -4.5%) reverted to a YoY expansion in September 2024, after contracting in August 2024.
- Additionally, the pace of expansion in the output of capital goods (to +2.8% from +0.5%) and infrastructure/construction goods (to +3.3% from +2.2%) picked up in September 2024 vis-à-vis August 2024, partly aided by a favourable base, reflecting some improvement in construction activity.
- The YoY growth in the output of intermediate goods (to +4.2% from +3.0%) and consumer durables (to +6.5% from +5.3%) also saw an improvement in September 2024 relative to the previous month.

IIP rose by 0.7% MoM in September 2024, in contrast with the contraction seen in September 2023

EXHIBIT: MoM trends in IIP and its sub-components



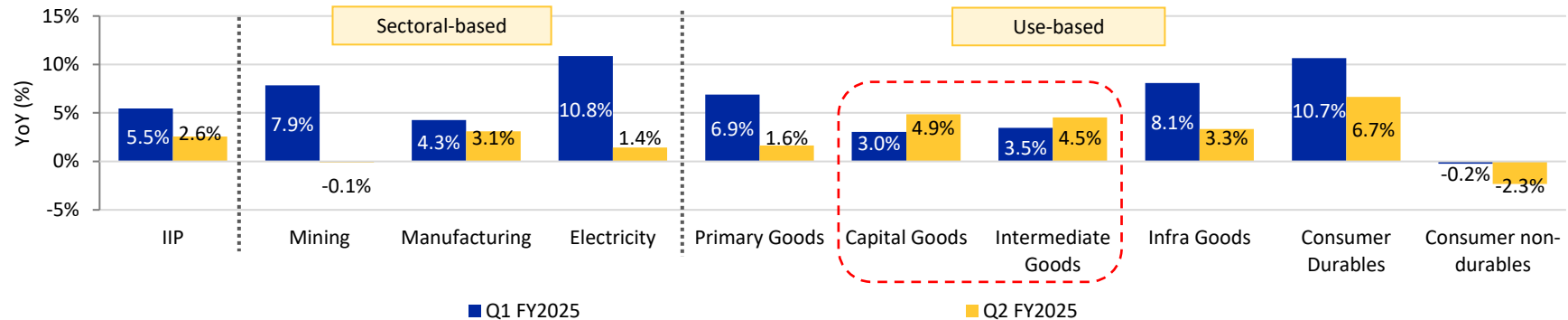
Infra: Infrastructure/ construction goods; Cons durables: Consumer durables; Cons non-durables: Consumer non-durables; Source: NSO; CEIC; ICRA Research

- In sequential terms, industrial output rose by a muted 0.7% in September 2024, as against the contraction of 2.4% seen in September 2023. This was driven by the expansion in the output of mining (+4.3% in September 2024 vs. -0.4% in September 2023) and manufacturing (+0.7% vs. -2.0%), as well as a narrower decline in electricity generation (-2.5% vs. -6.6%) in September 2024, vis-à-vis September 2023. This can be partly attributed to the pre-festive stocking owing to the early onset of the festive season* in 2024.
- Additionally, all the six use-based categories of the IIP witnessed a better MoM performance in September 2024 relative to September 2023. The output of consumer non-durables (+2.7% in September 2024 vs. -3.8% in September 2023) saw a MoM uptick in September 2024, in contrast to the sequential decline seen in September 2023. Besides, the output of primary goods (-0.2% vs. -4.5%), infrastructure/construction goods (-1.2% vs. -2.3%), and intermediate goods (-0.9% vs. -2.0%) saw a narrower MoM dip in September 2024, vis-à-vis 2023. Moreover, the output of capital goods (+7.3% vs. +4.8%) and consumer durables (+2.6% vs. +1.5%) also saw a higher sequential growth during this period.

*festive period: a) 2022 – Sep 26, 2022 to Nov 6, 2022; b) 2023 – Oct 15, 2023 to Nov 25, 2023; c) 2024 – Oct 3 to Nov 15, 2024

Slowdown in YoY IIP growth to an eight-quarter low of 2.6% in Q2 FY2025 to weigh on industrial GVA growth in the quarter

EXHIBIT: YoY performance of the IIP, its sectoral categories and use-based categories

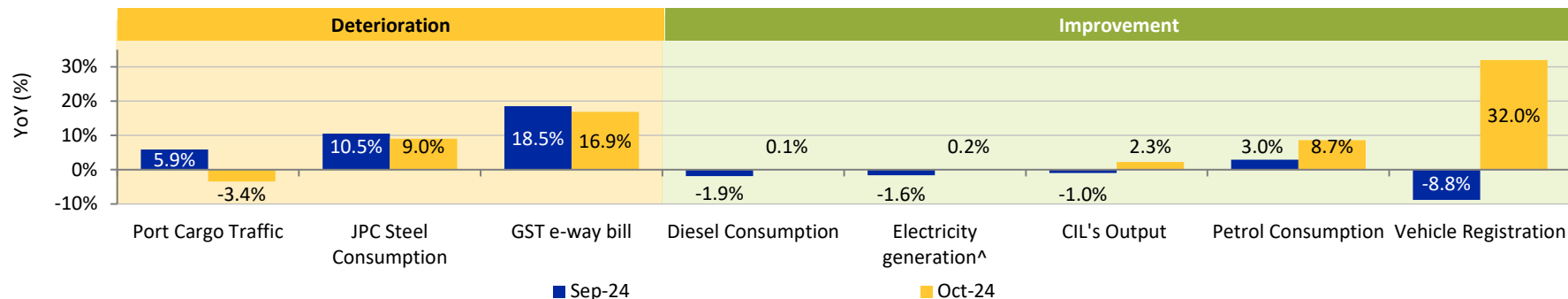


*Infra goods: Infrastructure/construction goods; Source: NSO; CEIC; ICRA Research

- The YoY growth in the IIP dipped to an eight-quarter low of 2.6% in Q2 FY2025 (+7.8% in Q2 FY2024) from 5.5% in Q1 FY2025 (+4.8% in Q1 FY2024), partly owing to a high base as well as disruptions on account of excess rainfall during the last two months of the quarter. While mining output contracted by 0.1% in Q2 FY2025 (+7.9% in Q1 FY2025), after a gap of seven quarters, the YoY expansion in electricity generation (to a five-quarter low +1.4% from +10.8%) and manufacturing output (to a seven-quarter low +3.1% from +4.3%) slowed between these quarters.
- As per the use-based classification, four of the six categories (apart from capital goods: to +4.9% from +3.0% and intermediate goods: to +4.5% from +3.5%) saw a weaker YoY performance in Q2 FY2025, vis-à-vis Q1 FY2025, with the output of these categories moderating to multi-quarter lows in Q2 FY2025. This includes the output of primary goods (to a 14-quarter low +1.6% from +6.9%), infrastructure/construction goods (to a 16-quarter low +3.3% from +8.1%), consumer durables (to a three-quarter low +6.7% from +10.7%), and consumer non-durables (to an eight-quarter low -2.3% from -0.2%).
- **The sharp moderation in the industrial volume growth in Q2 FY2025 vis-à-vis Q1 FY2025, as reflected in the IIP, is likely to outweigh the benefits from the correction in global commodity prices, thereby dampening the industrial GVA growth in that quarter.**

OUTLOOK: YoY IIP growth to print at 3.0-4.0% in October 2024

EXHIBIT: YoY trends of high frequency indicators



^excludes renewable energy; CIL: Coal India Limited; petrol and diesel refer to growth in consumption volumes; Source: CIL; CEA; IPA; JPC; GSTN; PPAC; Vahan Portal; CEIC; ICRA Research

- The YoY performance of majority of the available high frequency indicators recorded an improvement in October 2024 vis-à-vis September 2024, amid the early onset of the festive season in 2024*. The performance of some mobility-related indicators including vehicle registrations (to a 24-month high +32.0% in October 2024 from -8.8% in September 2024) and petrol consumption (to +8.7% from +3.0%) improved in October 2024 relative to September 2024. Notably, CIL's output (to +2.3% from -1.0%), electricity generation (to +0.2% from -1.6%), and diesel consumption (to +0.1% from -1.9%) reverted to a YoY growth in October 2024 after contracting in September 2024, despite a high base.
- In contrast, the pace of expansion in GST e-way bills (to +16.9% from +18.5%), ports cargo traffic (to a 32-month low -3.4% from +5.9%), and finished steel consumption (to a nine-month low +9.0% from +10.5%) moderated in October 2024 relative to the previous month, partly owing to a high base.
- **Balancing between the positive impact of the early onset of the festive season and an unfavorable base (+11.9% in October 2023), ICRA anticipates the YoY IIP growth to print at 3.0-4.0% in October 2024.**

*festive period: a) 2022 – Sep 26, 2022 to Nov 6, 2022; b) 2023 – Oct 15, 2023 to Nov 25, 2023; c) 2024 – Oct 3 to Nov 15, 2024.

Table A.1: Trends in IIP Growth

	Sectoral				Use-Based Classification					
	IIP	Mining	Manufacturing	Electricity	Primary	Capital	Intermediate	Infra/ Construction	Durables	Non-Durables
Weight	100.0%	14.4%	77.6%	8.0%	34.0%	8.2%	17.2%	12.3%	12.8%	15.3%
YoY (%)										
August-24	-0.1%	-4.3%	1.1%	-3.7%	-2.6%	0.5%	3.0%	2.2%	5.3%	-4.5%
September-24	3.1%	0.2%	3.9%	0.5%	1.8%	2.8%	4.2%	3.3%	6.5%	2.0%
MoM (%)										
August-24	-2.5%	-7.8%	-1.6%	-3.6%	-5.7%	-5.4%	-0.9%	1.5%	2.4%	-3.5%
September-24	0.7%	4.3%	0.7%	-2.5%	-0.2%	7.3%	-0.9%	-1.2%	2.6%	2.7%
September-24 / September-19	19.4%	29.3%	16.7%	30.4%	24.2%	26.7%	19.8%	39.9%	8.7%	1.0%
Quarterly growth (%)										
Q2 FY2025 vs. Q2 FY2024	2.6%	-0.1%	3.1%	1.4%	1.6%	4.9%	4.5%	3.3%	6.7%	-2.3%

Source: NSO; CEIC; ICRA Research

Table A.2: Sub-groups with major contribution in IIP on the basis of use-based classification

Use-Based Classification	Item Group	Sub-group	Weight (%)	Use-Based Classification	Item Group	Sub-group	Weight (%)
Primary Goods (Wt.=34.0%)	Diesel	Coke and refined petroleum products	5.71	Infrastructure /Construction Goods (Wt.=12.3%)	Cement	Other non-metallic mineral products	2.16
	Petrol/Motor Spirit	Coke and refined petroleum products	1.66		Bars and Rods of Mild steel	Basic Metals	1.35
	LPG	Coke and refined petroleum products	0.84		HR coils and sheets of mild steel	Basic Metals	1.35
Capital Goods (Wt.=8.2%)	Commercial Vehicles	Motor vehicles, trailers and semi-trailers	0.94	Consumer Durables (Wt.=12.8%)	Auto components/ spares and accessories	Motor vehicles, trailers and semi-trailers	2.59
	Stationary and internal combustion piston engines not for motor vehicles	Machinery and equipment N.E.C.	0.51		Two-wheelers (motorcycles/ scooters)	Other transport equipment	1.36
	Generators / Alternators	Electrical Equipment	0.46		Readymade Garments	Wearing Apparel	1.01
Intermediate Goods (Wt.=17.2%)	Naphtha	Coke and refined petroleum products	1.15	Consumer Non-durables (Wt.=15.3%)	API & formulations of vitamins	Pharmaceuticals, medicinal chemical and botanical products	0.85
	MS blooms/ billets/ ingots/ pencil ingots	Basic Metals	0.95		Sugar	Food Products	0.76
	MS slabs	Basic Metals	0.84		Steroids and hormonal preparations	Pharmaceuticals, medicinal chemical and botanical products	0.72

Source: NSO; CEIC; ICRA Research



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