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INDEX OF INDUSTRIAL PRODUCTION

YoY IIP growth eased to 3.2% in December 2024; likely to moderate to 2.0-3.0% in January 2025, led by electricity and mining segments

FEBRUARY 2025

Highlights

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YoY expansion in IIP eased to a four-month low of 3.2% in December 2024, partly on account of a high base

The moderation in December 2024 vis-à-vis November 2024 was driven by the manufacturing segment; use-based categories saw a mixed performance

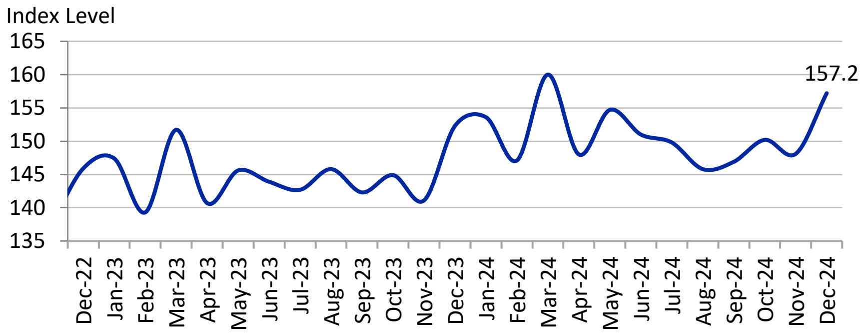
ICRA expects YoY IIP growth to slow to 2.0-3.0% in January 2025, led by the mining and electricity sub-sectors

The year-on-year (YoY) expansion in the Index of Industrial Production (IIP) eased to a lower-than-expected 3.2% in December 2024 (ICRA's forecast: +3.8%) from 5.0% in November 2024, partly owing to a high base (+4.4% in December 2023). This deterioration was driven by a weaker YoY growth of manufacturing output, even as the use-based categories recorded mixed YoY trends. Overall, the IIP growth saw a broad-based improvement to 3.9% in Q3 FY2025 from 2.7% in Q2 FY2025, which would provide a modest support to the GVA growth in that quarter. Looking ahead, the YoY performance of the available high frequency indicators saw a mixed trend in January 2025 vis-à-vis December 2024. The weak performance of the electricity and mining segments is likely to weigh on the overall IIP growth in January 2025; consequently, ICRA expects the same to moderate to 2.0-3.0% in the month (+4.2% in January 2024) from 3.2% in December 2024 (+4.4% in December 2023).

- **YoY expansion in IIP eased in December 2024:** The YoY growth in IIP slowed to a four-month low of 3.2% in December 2024 (+4.4% in December 2023) from 5.0% in November 2024 (+2.5% in November 2023), partly owing to an unfavourable base. This was entirely driven by the slower growth in manufacturing output (to +3.0% from +5.5%), which partly offset the uptick seen in mining output (to +2.6% from +1.9%) and electricity generation (to +6.2% from +4.4%) between these months. Overall, the YoY IIP growth rose to 3.9% in Q3 FY2025 from 2.7% in Q2.
- **Use-based categories saw a mixed YoY performance in December 2024:** While the output of capital (to +10.3% from +8.8%), intermediate (to +5.9% from +4.8%), and primary (to +3.8% from +2.7%) goods improved in December 2024 relative to the prior month, that for consumer durables (to +8.3% from +14.1%), non-durables (to -7.6% from +0.4%), and infrastructure/construction goods (to +6.3% from +8.1%), moderated between these months.
- **IIP growth to ease to 2.0-3.0% in January 2025:** The YoY expansion of the available high frequency indicators witnessed a mixed trend in January 2025 vis-à-vis December 2024. The weak performance of the electricity and mining segments is likely to weigh on the overall IIP growth in January 2025; ICRA expects the same to moderate to 2.0-3.0% in the month (+4.2% in January 2024) from 3.2% in December 2024 (+4.4% in December 2023).

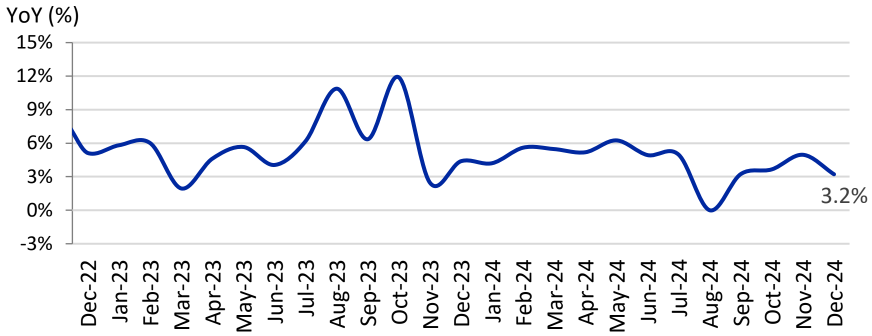
YoY growth in IIP eased to a four-month low of 3.2% in December 2024, partly on account of an unfavourable base

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 YoY growth in IIP moderated to a four-month low of 3.2% in December 2024 (+4.4% in December 2023) from 5.0% in November 2024 (+2.5% in November 2023), partly weighed down by an elevated base, while printing lower than ICRA's expectation (+3.8%).
- The deterioration was driven by the slowdown in the YoY expansion of manufacturing output to a four-month low of 3.0% in December 2024 (+4.6% in December 2023) from 5.5% in November 2024 (+1.3% in November 2023), partly owing to an unfavourable base.
- In contrast, the pace of expansion in electricity generation (to +6.2% in December 2024 from +4.4% in November 2024) and mining output (to +2.6% from +1.9%; driven by uptick in output of crude oil and natural gas) improved to a five-month high each in December 2024 compared to the previous month.

Core sector output moderated to 4.0% YoY in December 2024, while outpacing the growth seen in non-core sector

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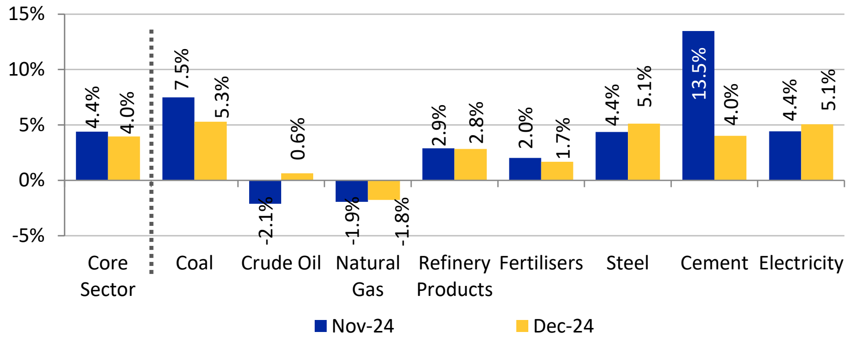
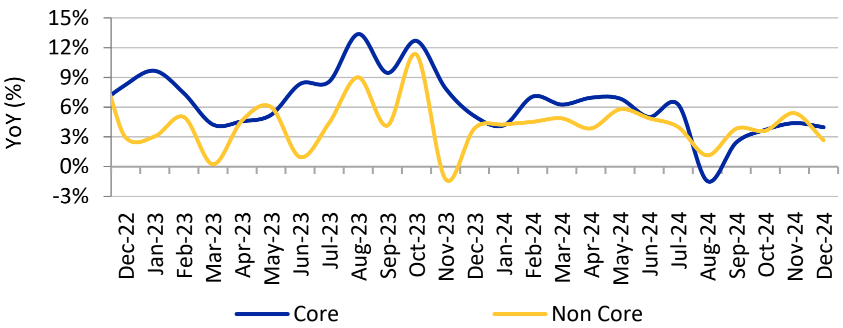
EXHIBIT: YoY performance of core sector and its sub-components



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

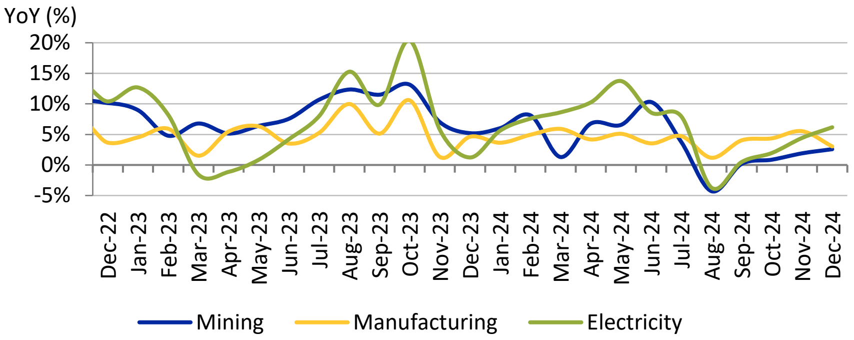


The non-core output is computed by excluding core output from the IIP; Source: Index of Eight Core Industries, Office of Economic Adviser, Ministry of Commerce and Industry; CEIC; ICRA Research

- The YoY growth in core output eased to 4.0% in December 2024 (+5.1% in December 2023) from an upwardly revised 4.4% in November 2024 (+7.9% in November 2023), with deterioration in half of the eight sub-sectors. This was in line with the average growth of 4.0% seen during October-November 2024.
- The YoY growth in cement output decelerated sharply to 4.0% in December 2024 (+3.8% in December 2023) from 13.5% in November 2024 (-4.7% in November 2023), largely led by the dissipation of the favourable base. Among other constituents, the rise in output of coal (to +5.3% from +7.5%), refinery products (to +2.8% from +2.9%; primarily led by dip in MS production) and fertilisers (to +1.7% from +2.0%) witnessed a modest deceleration between these months.
- In contrast, the YoY performance of steel (to +5.1% from +4.4%), and electricity generation (to +5.1% from +4.4%) improved in December 2024 vis-à-vis the previous month. Furthermore, while the YoY contraction in natural gas (to -1.8% from -1.9%) narrowed slightly between these months, the crude oil sub-index (to +0.6% from -2.1%) reverted to a YoY expansion after a gap of seven months in December 2024.
- Notably, the YoY performance of the non-core sector (four-month low of +2.7%; weight in IIP: 59.7%) trailed that of the core sector output (+4.0%; weight in IIP: 40.3%) in December 2024, after outpacing the same in November 2024.

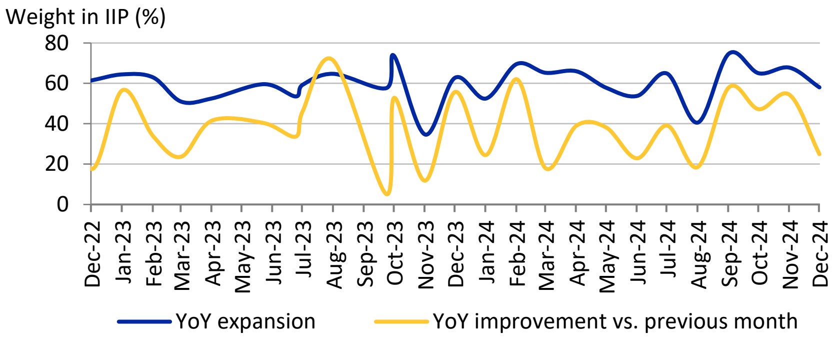
Slowdown in growth of manufacturing output in December 2024 vis-à-vis November 2024 was led by 15 of the 23 sub-sectors

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 deterioration in the YoY growth of manufacturing output in December 2024 vis-à-vis November 2024 was driven by as many as 15 of the 23 sub-sectors (with a large weight of 52.7% in the IIP); this subset includes basic metals, pharmaceuticals, medicinal chemical and botanical products, other non-metallic mineral products, motor vehicles, trailers and semi-trailers, etc.
- In contrast, the output of the remaining eight sub-sectors (with a lower weight of 24.9% in the IIP) saw an improvement in their YoY performance in December 2024 vis-à-vis the prior month. This sub-set includes coke and refined petroleum products, machinery and equipment, rubber and plastics products, etc.
- Notably, the production of 16 of the 23 sub-sectors of manufacturing (with a large weight of 58.0% in the IIP) expanded on a YoY basis in December 2024, while the output of the remaining seven sub-sectors (with a lower weight of 19.6% in the IIP) contracted in that month.

YoY performance of use-based categories was uneven in December 2024

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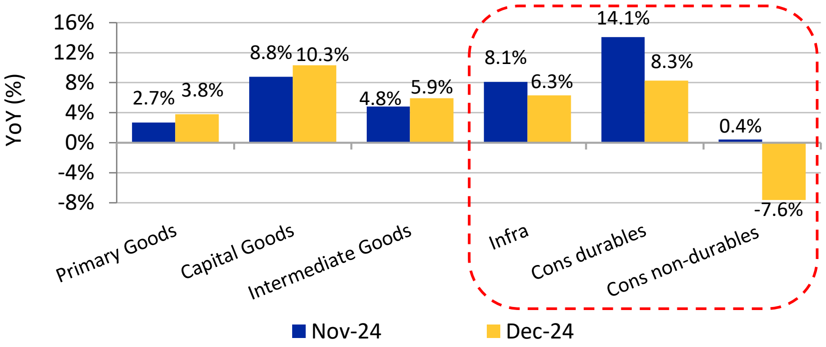
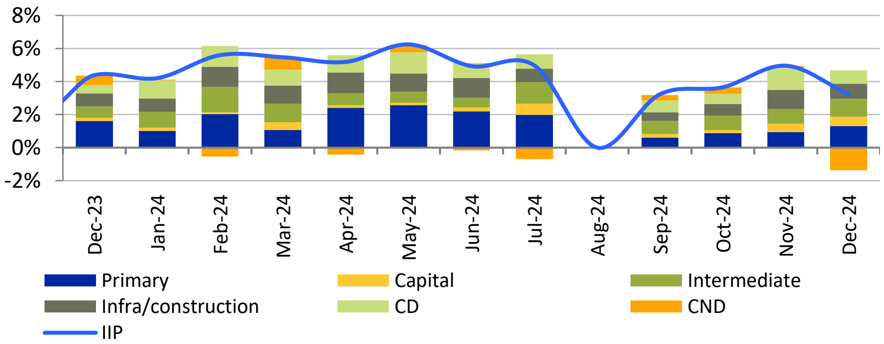
EXHIBIT: YoY trends in IIP (use-based)



Source: NSO; CEIC; ICRA Research

EXHIBIT: Contribution to IIP growth by use-based categories

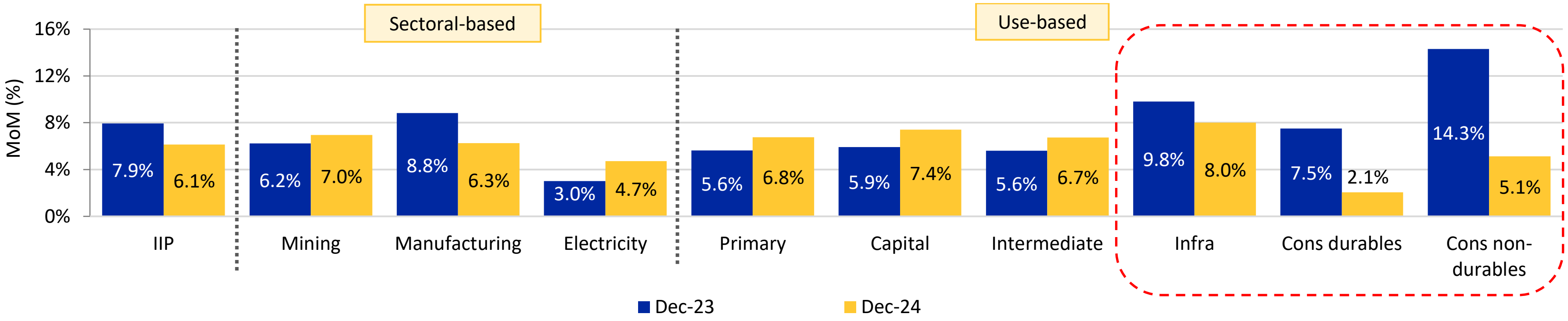


**CD: Consumer durables; CND: Consumer non- durables; Source: NSO; CEIC; ICRA Research*

- The use-based categories saw a relatively mixed YoY performance in December 2024. While the output of consumer durables (to +8.3% in December 2024 from +14.1% in November 2024, amid a high base) and infrastructure/construction goods (to +6.3% from +8.1%, led by the steep moderation in the growth of cement output) saw a lower YoY growth in December 2024 relative to November 2024, that for consumer non-durables slipped into a contraction of 7.6% (+0.4% in November 2024) after a gap of three months.
- In contrast, the output of the remaining three sub-categories, namely capital goods (to +10.3% in December 2024 from +8.8% in November 2024), intermediate goods (to +5.9% from +4.8%), and primary goods (to +3.8% from +2.7%; amid uptick in electricity and mining output), improved to a five-month high each in December 2024, compared to the previous month.

Sequential uptick of 6.1% in IIP in December 2024 was lower than that seen in December 2023

EXHIBIT: MoM trends in IIP and its sub-components

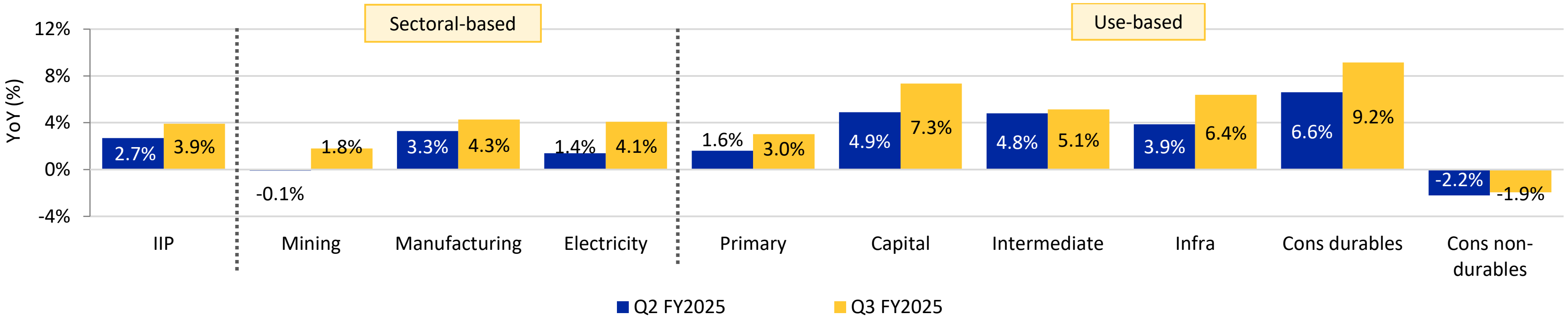


Infra: Infrastructure/ construction goods; Cons durables: Consumer durables; Cons non-durables: Consumer non-durables; Source: NSO; CEIC; ICRA Research

- In sequential terms, industrial output rose by 6.1% in December 2024, lower than the growth of 7.9% seen in December 2023, entirely driven by a slower MoM uptick in manufacturing output (+6.3% in December 2024 vs. +8.8% in December 2023). In contrast, the sequential expansion in mining output (+7.0% vs. +6.2%) and electricity generation (+4.7% vs. +3.0%) in December 2024, outpaced that seen in December 2023.
- Additionally, three of the six use-based categories witnessed a weaker MoM performance in December 2024 against the levels seen in the year-ago month; these include consumer non-durables (+5.1% in December 2024 vs. +14.3% in December 2023), consumer durables (+2.1% vs. +7.5%), and infrastructure/ construction goods (+8.0% vs. +9.8%). However, the output of capital (+7.4% vs. +5.9%), primary (+6.8% vs. +5.6%), and intermediate (+6.7% vs. +5.6%) goods saw a sharper MoM expansion in December 2024 relative to December 2023.

IIP growth improved to 3.9% in Q3 FY2025 from 2.7% in Q2 FY2025; likely to modestly support GVA growth in that quarter

EXHIBIT: YoY performance of IIP and its sub-sectors in Q2 and Q3 FY2025



Source: NSO; CEIC; ICRA Research

- The YoY growth in industrial output rose to 3.9% in Q3 FY2025 from 2.7% in Q2 FY2025, driven by a broad-based improvement across all sub-sectors and use-based categories. While the YoY expansion in manufacturing output (to +4.3% in Q3 from +3.3% in Q2) and electricity generation (to +4.1% from +1.4%) improved between these quarters, the output of mining reverted to a YoY growth of 1.8% after contracting by 0.1% in the previous quarter.
- While the output of infra/construction goods (+6.4%), capital goods (+7.3%), and consumer durables (+9.2%) saw a healthy YoY expansion in Q3 FY2025, that for primary (+3.0%) and intermediate (+5.1%) goods was relatively lower. Moreover, the output of consumer non-durables (-1.9%) continued to contract for the third consecutive quarter, albeit narrowing from the level seen in Q2 (-2.2%), revealing the underlying uneven pace of recovery in some sectors.
- **The performance of all the three sub-sectors and all six use-based categories showcased an improvement in Q3 FY2025, compared to Q2 FY2025, pointing to a pick-up in the GVA growth in Q3 FY2025 vis-à-vis Q2 FY2025.**

OUTLOOK: YoY IIP growth to ease to 2.0-3.0% in January 2025, led by electricity and mining segments

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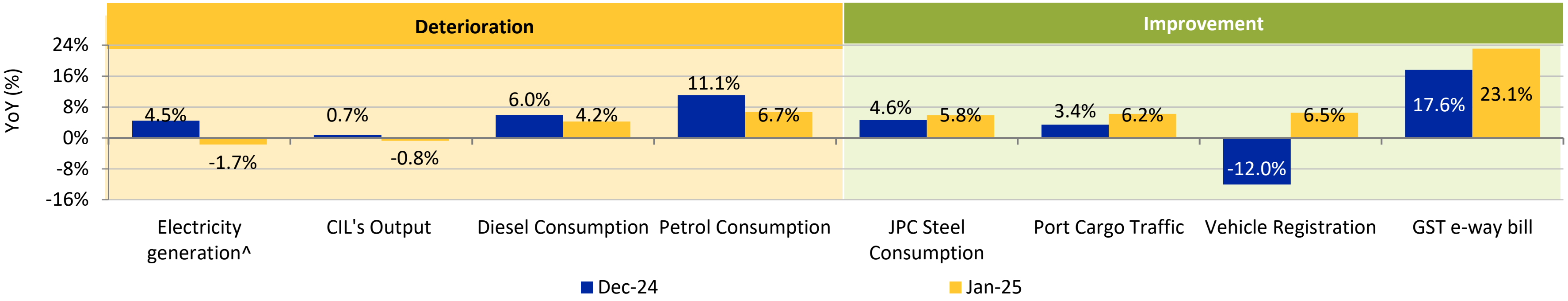
EXHIBIT: YoY trends of high frequency indicators



^excludes renewable energy; CIL: Coal India Limited; Source: CIL; CEA; IPA; JPC; GSTN; PPAC; Vahan Portal; CEIC; ICRA Research

- The YoY performance of the available high frequency indicators saw a mixed trend in January 2025 vis-à-vis December 2024. Amongst the mobility and transport-related indicators, the performance of port cargo traffic (to +6.2% in January 2025 from +3.4% in December 2024; primarily led by sharp ~135% YoY uptick in fertiliser shipments to a record high of 2.9 million tonne), GST e-way bill generation (to a 15-month high +23.1% from +17.6%), and vehicle registrations (to +6.5% from -12.0%; with PV segment recording +12.9% YoY growth, partly on account of the spillover of Dec 2024 purchases to Jan 2025 for a "2025 model year" advantage) improved in January 2025 vis-à-vis December 2024. Furthermore, the YoY growth in JPC steel consumption (to +5.8% from +4.6%) also improved between these months.
- Meanwhile, the growth in diesel consumption (to +4.2% in January 2025 from +6.0% in December 2024) and petrol consumption (to +6.7% from +11.1%) eased in January 2025 following the holiday travel-led surge in December 2024, while remaining at healthy levels. Notably, electricity generation (to -1.7% from +4.5%; partly on account of an unfavorable base) and CIL's output (to -0.8% from +0.7%) reported a sharp deterioration between these months.
- **The weak performance of the electricity and mining segments is expected to weigh on the overall IIP growth in January 2025; ICRA expects the same to moderate to 2.0-3.0% in the month (+4.2% in January 2024) from 3.2% in December 2024 (+4.4% in December 2023).**

Annexure A.1.

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 (%)										
November-24	5.0%	1.9%	5.5%	4.4%	2.7%	8.8%	4.8%	8.1%	14.1%	0.4%
December-24	3.2%	2.6%	3.0%	6.2%	3.8%	10.3%	5.9%	6.3%	8.3%	-7.6%
MoM (%)										
November-24	-1.4%	4.1%	-0.9%	-11.4%	-1.4%	-2.6%	-3.8%	-3.7%	-6.5%	8.1%
December-24	6.1%	7.0%	6.3%	4.7%	6.8%	7.4%	6.7%	8.0%	2.1%	5.1%
Q2 FY2025 vs. Q2 FY2024	2.7%	-0.1%	3.3%	1.4%	1.6%	4.9%	4.8%	3.9%	6.6%	-2.2%
Q3 FY2025 vs. Q3 FY2024	3.9%	1.8%	4.3%	4.1%	3.0%	7.3%	5.1%	6.4%	9.2%	-1.9%

Source: NSO; CEIC; ICRA Research

Annexure A.2.

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%)	Mining	Mining	14.37	**Infrastructure /Construction Goods (Wt.=12.3%)**	Cement	Other non-metallic mineral products	2.16
	Electricity	Electricity	7.99		Bars and Rods of Mild steel	Basic Metals	1.35
	Diesel	Coke and refined petroleum products	5.71		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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