

INDEX OF INDUSTRIAL PRODUCTION

YoY IIP growth expectedly eased to
3.8% in Jan 2024; to remain at 3-4%
in Feb 2024 amid high base

MARCH 2024



€ % \$





Click to Provide Feedback

IIP growth dipped to 3.8% in Jan 2024 from 4.2% in Dec 2023

Moderation in YoY IIP growth in Jan 2024 vs. Dec 2023 was entirely driven by manufacturing sector

Mild sequential uptick of 0.6% in IIP in Jan 2024 trailed that seen in Jan 2023

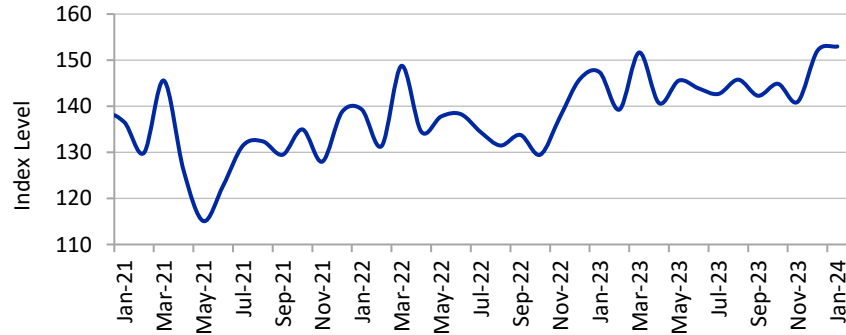
YoY IIP growth to print at 3-4% in Feb 2024, amid mixed YoY trends of high frequency indicators as well as elevated base

The year-on-year (YoY) growth in the Index of Industrial Production (IIP) expectedly moderated to 3.8% in January 2024 from 4.2% in December 2023, marginally surpassing ICRA's expectations (+3.4%). This was entirely driven by the deterioration in the YoY performance of the manufacturing sector, even as the growth in electricity generation and mining output witnessed an acceleration. In terms of the use-based categories, the output of consumer non-durables reverted to a YoY contraction of 0.3% in January 2024, after expanding in the previous month. Looking ahead, the data available for high frequency indicators reveals mixed YoY trends in February 2024, relative to January 2024. Based on this, ICRA anticipates the YoY IIP growth to print at 3-4% in February 2024, amid an unfavourable base (+6.0% in February 2023).

- **IIP growth slowed to 3.8% in January 2024:** The YoY IIP growth eased to 3.8% in January 2024 (ICRA's exp.: +3.4%) from 4.2% in December 2023, entirely driven by the deterioration in the performance of manufacturing output (to +3.2% in Jan 2024 from +4.5% in Dec 2023). In contrast, electricity generation (to +5.6% from +1.2%) and the output of mining (to +5.9% from +5.2%) saw an improvement in January 2024, vis-à-vis December 2023, partly aided by the deficit rainfall in the month. Notably, the YoY IIP growth (+3.8%) marginally exceeded the 3.6% YoY expansion seen in the core sector output (weight in IIP: 40.3%) in January 2024, after a gap of seven months.
- **Sequential uptick in IIP in January 2024 trailed that seen in January 2023:** In month-on-month (MoM) terms, industrial output rose by a muted 0.6% in January 2024, lower than the 1.0% uptick seen in January 2023, largely led by the 0.9% MoM decline in manufacturing output in January 2024, relative to the uptick of 0.4% seen in January 2023. In contrast, there was a sharper MoM increase in electricity generation (+8.5% vs. +4.0%) and the output of mining (+3.3% vs. +2.6%) in January 2024 vs. 2023.
- **IIP growth to print at 3-4% in February 2024:** Looking ahead, the data available for high frequency indicators reveals a mixed YoY trend in February 2024, relative to January 2024. Based on this and an unfavourable base (+6.0% in February 2023), ICRA anticipates the YoY IIP growth to print at 3-4% in February 2024.

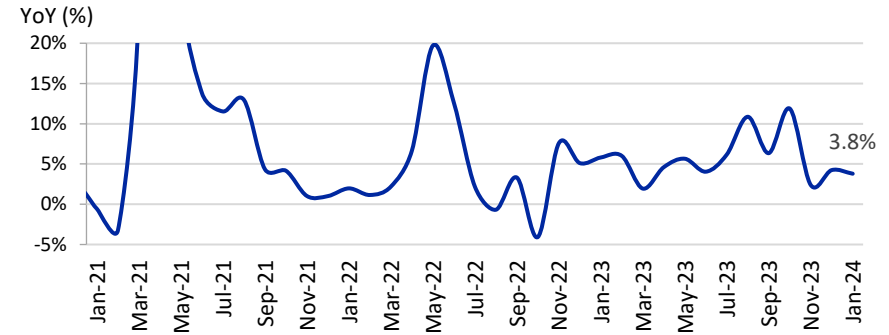
IIP growth moderated to 3.8% in Jan 2024 from 4.2% in Dec 2023, marginally exceeding expectations

EXHIBIT: Trends in index levels of IIP



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

EXHIBIT: Trends in YoY growth of IIP

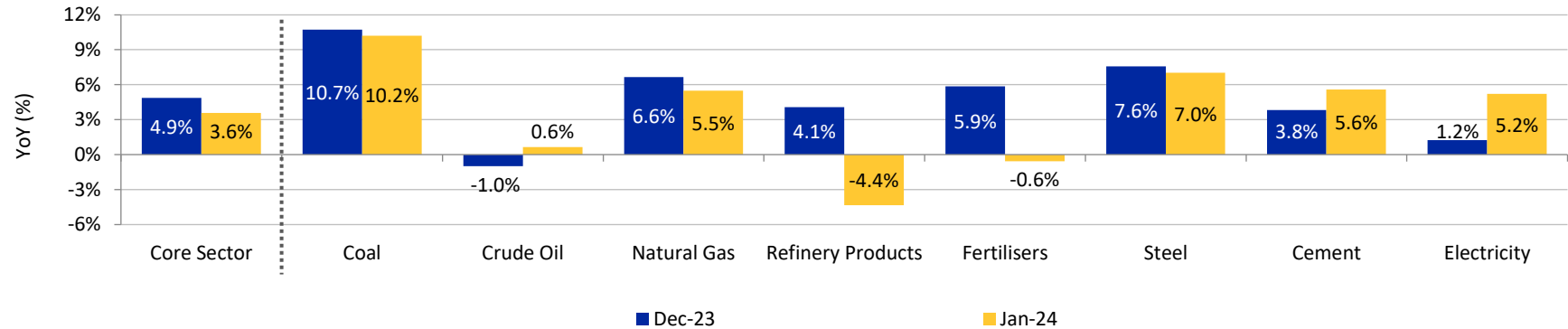


Source: NSO; CEIC; ICRA Research

- The YoY growth in the IIP expectedly eased to 3.8% in January 2024 (+5.8% in January 2023) from 4.2% in December 2023 (+5.1% in December 2022), albeit marginally exceeding ICRA's forecast (+3.4%) for the month.
- The moderation in the YoY IIP growth in January 2024, relative to the previous month, was largely driven by the deterioration in the YoY expansion of the manufacturing sector (to +3.2% in Jan 2024 from +4.5% in Dec 2023).
- In contrast, the performance of the mining sector (to +5.9% from +5.2%) and electricity generation (to +5.6% from +1.2%) recorded an improvement in January 2024, vis-à-vis December 2023, partly owing to deficient rainfall seen in the month (58% below LPA in Jan 2024).

YoY expansion in IIP mildly exceeded that of the core sector output in Jan 2024, after a gap of seven months

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

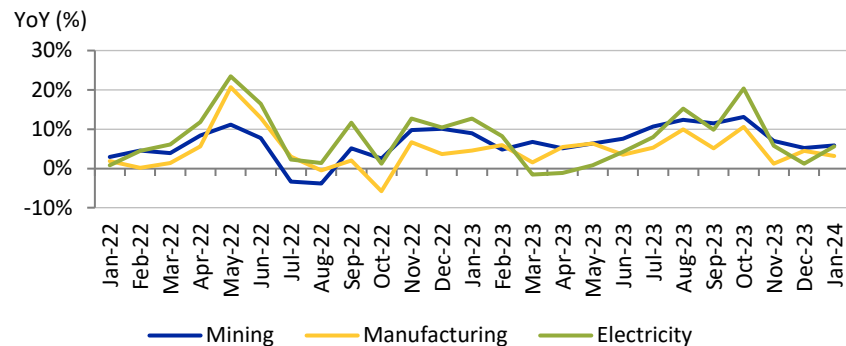


Source: Index of Eight Core Industries, Office of Economic Adviser, Ministry of Commerce and Industry; CEIC; ICRA Research

- The YoY expansion in the output of the core sector weakened to a 15-month low of 3.6% in January 2024 from 4.9% in December 2023, led by a deterioration in the YoY performance across five of the eight sub-sectors, apart from crude oil, electricity generation, and cement.
- The output of refinery products (to a 14-month low -4.4% in Jan 2024 from +4.1% in Dec 2023) and fertilisers (to a 23-month low -0.6% from +5.9%) slipped into a YoY contraction in Jan 2024, after expanding in the previous month. This was followed by a relatively modest deterioration in the output of coal (to +10.2% from +10.7%), steel (to +7.0% from +7.6%), and natural gas (to +5.5% from +6.6%) in January 2024, vis-à-vis December 2023.
- In contrast, the output of crude oil (to +0.6% from -1.0%) reverted to a YoY expansion in January 2024, after a gap of two months, and that for cement (to +5.6% from +3.8%) and electricity generation (to +5.2% from +1.2%) witnessed an improvement between these two months.
- Notably, the YoY IIP growth (+3.8%) marginally exceeded the 3.6% YoY expansion seen in the core sector output (weight in IIP: 40.3%) in January 2024, after a gap of seven months.

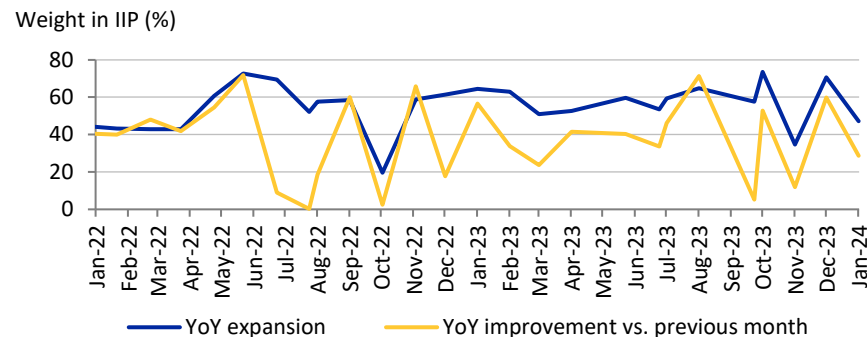
Deceleration in manufacturing output growth in Feb 2024 was not broad-based, but driven by small set of sub-sectors with a higher weight

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

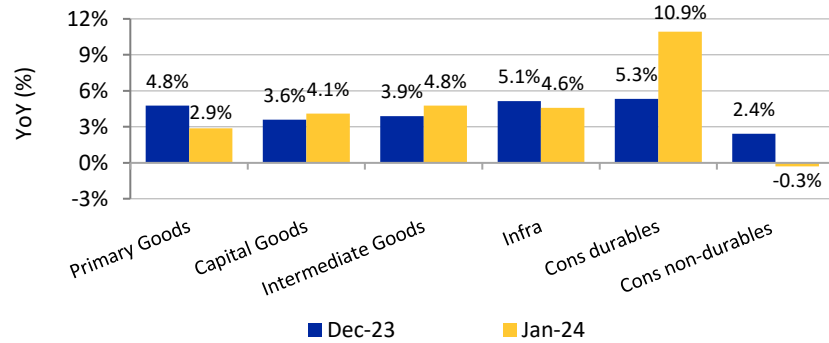


Source: NSO; CEIC; ICRA Research

- While the YoY expansion in manufacturing output (to +3.2% in Jan 2024 from +4.5% in Dec 2023) witnessed a moderation in January 2024 relative to December 2023, that for mining output (to +5.9% from +5.2%, in line with the trends in coal and natural gas output) and electricity generation (to +5.6% from +1.2%) improved, amidst deficient rainfall in January 2024.
- Notably, 15 of the 23 sub-sectors of manufacturing (with a considerable weight of 47.2% in the IIP) displayed a YoY expansion in January 2024, while the output of the remaining eight sub-sectors (with a lower weight of 30.5% in the IIP) contracted in the month.
- However, eight sub-sectors of manufacturing (albeit with a sizeable weight of 49.1% in the IIP) witnessed a moderation in their YoY performance in January 2024 relative to the previous month; this sub-set includes food products, basic metals, coke and refined petroleum products, etc. In contrast, the output of 15 sub-sectors (with a lower weight of 28.6% in the IIP) saw an improvement in YoY performance in January 2024 relative to December 2023; this subset includes beverages, motor vehicles, trailers and semi-trailers, textiles, etc.

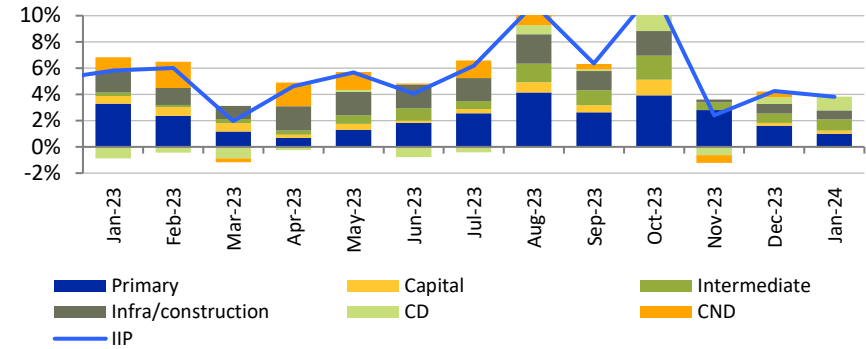
YoY performance of three of the six use-based categories weakened in Jan 2024 vis-à-vis Dec 2023

EXHIBIT: YoY trends in IIP (use-based)



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

EXHIBIT: Contribution to IIP growth by use-based categories

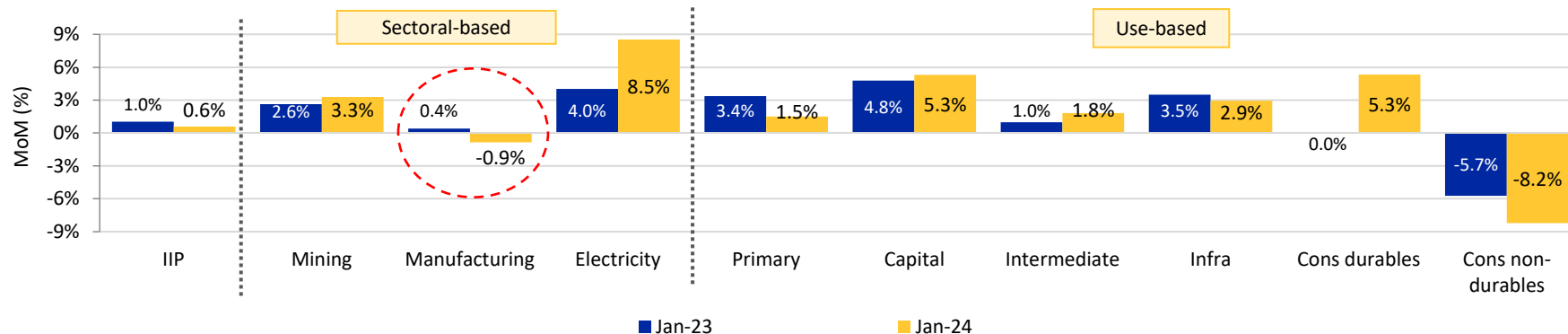


*CD: Consumer durables; CND: Consumer non- durables; Source: NSO; CEIC; ICRA Research

- Three of the six use-based categories recorded a weaker YoY performance in January 2024 vis-à-vis December 2023. This includes primary goods (to a nine-month low +2.9% in Jan 2024 from +4.8% in Dec 2023) and infra/construction goods (to +4.6% from +5.1%, in line with the moderation in the growth in steel output). In addition, the output of consumer non-durables reverted to a YoY contraction of 0.3% in January 2024, after expanding by 2.4% in the previous month.
- In contrast, the output of consumer durables (to +10.9% from +5.3%), capital goods (to +4.1% from +3.6%), and intermediate goods (to +4.8% from +3.9%) saw an improvement in YoY growth to a three-month high each in January 2024, vis-à-vis December 2023.
- However, the output of consumer durables continued to trail the corresponding pre-Covid level by 2.7% in January 2024, for the third consecutive month.

MoM uptick in January 2024 trailed the sequential rise seen in January 2023

EXHIBIT: Month-on-month (MoM) trends in IIP and its sub-components

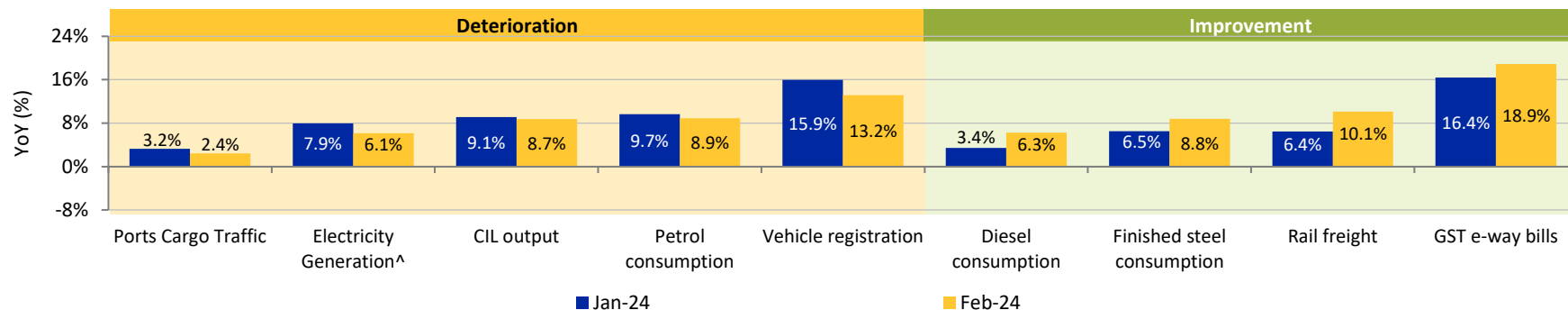


Infra: Infrastructure/ construction goods; Cons durables: Consumer durables; Cons non-durables: Consumer non-durables; Source: NSO; CEIC; ICRA Research

- In sequential terms, industrial output rose by a muted 0.6% in January 2024, lower than the 1.0% uptick seen in January 2023, driven by the 0.9% MoM decline in manufacturing output in January 2024, relative to the uptick of 0.4% seen in January 2023.
- In contrast, there was a sharper MoM increase in electricity generation (+8.5% in Jan 2024 vs. +4.0% in Jan 2023) and mining output (+3.3% vs. +2.6%) in January 2024, relative to January 2023.
- Moreover, three of the six use-based categories of the IIP, namely, primary goods (+1.5% in Jan 2024 vs. +3.4% in Jan 2023), infrastructure/construction goods (+2.9% vs. +3.5%), and consumer non-durables (-8.2% vs. -5.7%) witnessed a weaker MoM performance in January 2024 relative to 2023. In contrast, the MoM uptick in the output of consumer durables (+5.3% vs. 0.0%), intermediate goods (+1.8% vs. +1.0%), and capital goods (+5.3% vs. +4.8%) exceeded the levels seen in January 2023.

OUTLOOK: IIP growth to print at 3-4% in February 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: JPC; CIL; IPA; CEA; Goods and Services Tax Network; PPAC; Indian Railways; Vahan Portal; CEIC; ICRA Research

- The data available for high frequency indicators reveals a mixed trend in February 2024. The YoY performance for five of the available nine non-financial indicators worsened in February 2024 relative to January 2024. This subset includes the output of Coal India Limited (to +8.7% in Feb 2024 from +9.1% in Jan 2024), electricity generation (to +6.1% from +7.9%; partly aided by deficient rainfall in Feb 2024), petrol sales (to +8.9% from +9.7%), cargo traffic at major ports (to +2.4% from +3.2%; led by POL, coal, and iron ore), and vehicle registrations (to +13.2% from +15.9%).
- In contrast, the YoY expansion in the remaining four high frequency indicators, namely, rail freight traffic (to a 20-month high of +10.1% from +6.4%), diesel sales (to a four-month high of +6.3% from +3.4%), finished steel consumption (to +8.8% from +6.5%), and generation of GST e-way bills (to +18.9% from +16.4%), improved between these two months.
- **Based on the available high frequency data for February 2024 as well as an unfavourable base (+6.0% in February 2023), ICRA anticipates the YoY IIP growth to print at 3-4% in that month.**

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 (%)										
December-23	4.2%	5.2%	4.5%	1.2%	4.8%	3.6%	3.9%	5.1%	5.3%	2.4%
January-24	3.8%	5.9%	3.2%	5.6%	2.9%	4.1%	4.8%	4.6%	10.9%	-0.3%
MoM (%)										
December-23	7.9%	6.2%	8.8%	3.0%	5.6%	5.8%	6.1%	9.3%	8.3%	13.5%
January-24	0.6%	3.3%	-0.9%	8.5%	1.5%	5.3%	1.8%	2.9%	5.3%	-8.2%
Jan-24 vs. Jan-20	11.4%	15.9%	8.8%	26.7%	15.6%	6.6%	11.0%	26.1%	-2.7%	3.5%

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



Click to Provide Feedback



ICRA

Analytical Contact Details

Name	Designation	Email	Contact Number
Aditi Nayar	Chief Economist, and Head - Research and Outreach	aditin@icraindia.com	0124- 4545 385
Rahul Agrawal	Senior Economist	rahul.agrawal@icraindia.com	022 – 6114 3425
Aarzoo Pahwa	Economist	aarzoo.pahwa@icraindia.com	0124 – 4545 835
Tiasha Chakraborty	Senior Associate Economist	tiasha.chakraborty@icraindia.com	0124- 4545 848





ICRA

Business Development/Media Contact Details

Name	Designation	Email	Contact Number
L Shivakumar	Chief Business Officer	shivakumar@icraindia.com	022-61693304
Neha Agarwal	Head – Research Sales	neha.agarwal@icraindia.com	022-61693338
Rohit Gupta	Head Business Development - Infrastructure Sector	rohitg@icraindia.com	0124-4545340
Vivek Bhalla	Head Business Development - Financial Sector	vivek.bhalla@icraindia.com	022-61693372
Vipin Saboo	Head Business Development – Corporate Sector - West & East	vipin.saboo@icraindia.com	022-61693348
Shivam Bhatia	Head Business Development – Corporate Sector - North & South	shivam.bhatia@icraindia.com	0124-4545803
Naznin Prodhani	Head – Media & Communications	communications@icraindia.com	0124-4545860





© Copyright, 2024 ICRA Limited. All Rights Reserved.

All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable. Although reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies, while publishing or otherwise disseminating other reports may have presented data, analyses and/or opinions that may be inconsistent with the data, analyses and/or opinions in this publication. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.



ICRA

Thank You!