

INDEX OF INDUSTRIAL PRODUCTION

YoY IIP growth expectedly eased to 4.9% in March 2024; likely to decelerate to 3-4% in April 2024 on account of elevated base

MAY 2024





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IIP growth eased to 4.9% in March 2024 from 5.6% in February 2024, as the leap-year effect faded

Moderation in YoY IIP growth in March 2024 vs. February 2024 was entirely led by slowdown in YoY growth of mining; electricity and manufacturing growth saw an uptick

MoM rise of 8.2% in IIP in March 2024 was lower than that in March 2023

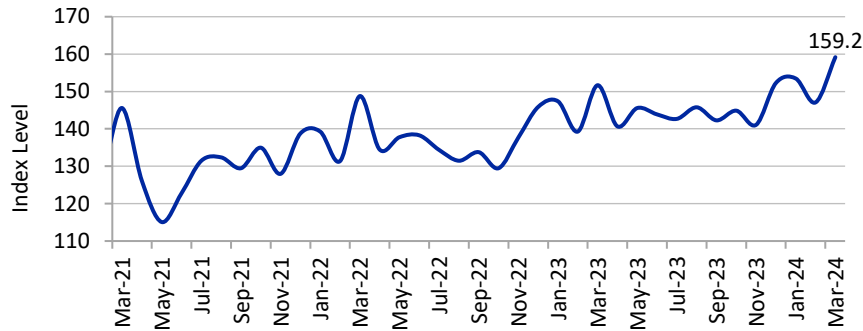
YoY IIP growth likely to ease to 3-4% in April 2024, amid unfavourable base

The year-on-year (YoY) growth in the Index of Industrial Production (IIP) expectedly eased to 4.9% in March 2024 from 5.6% in February 2024, as the leap-year effect faded, while marginally exceeding ICRA's expectations (+4.5%). This was entirely driven by a sharp deceleration in the YoY expansion of mining output in March 2024, vis-à-vis February 2024, even as the growth in manufacturing and electricity generation improved between these months, supported by a low base and the favourable impact of rising temperatures on the latter. While the expansion in consumer durables remained elevated at 9.5% in March 2024, outpacing the other use-based categories, this performance was on a low base (-8.0% in March 2023). Notwithstanding the favourable trends in most of the available high frequency data for April 2024, ICRA anticipates the YoY IIP growth to decelerate to 3-4% in that month from 4.9% in March 2024, owing to an adverse base (+4.6% in April 2023 vs. +1.9% in March 2023).

- **IIP growth eased to 4.9% in March 2024:** The YoY IIP growth moderated to 4.9% in March 2024 (ICRA's exp.: +4.5%) from 5.6% in February 2024, as the leap-year effect faded. This was entirely led by a deterioration in the YoY expansion of mining (to +1.2% from +8.1%), while a favourable base supported the performance of manufacturing output (to +5.2% from +4.9%) and electricity generation (to +8.6% from +7.5%; amid rising temperatures). Moreover, the YoY IIP growth moderated to 4.9% in Q4 FY2024 from 6.1% in Q3 FY2024, and printed at 5.8% in FY2024 as a whole, slightly higher than that seen in FY2023 (+5.2%).
- **Sequential rise in IIP in March 2024 trailed that seen in March 2023:** In month-on-month (MoM) terms, the IIP rose by 8.2% in March 2024, lower than the 8.9% uptick seen in March 2023. This was entirely driven by the lower MoM rise in mining output (+11.7% in Mar 2024 vs. +19.3% in Mar 2023), even as manufacturing output (+7.5% vs. +7.2%) and electricity generation (+9.1% vs. +8.0%) saw a higher MoM expansion in March 2024 vis-à-vis March 2023.
- **IIP growth to ease to 3-4% in April 2024:** Notwithstanding the favourable trends in most of the available high frequency indicators for April 2024, ICRA anticipates the YoY IIP growth to decelerate to 3-4% in that month from 4.9% in March 2024, owing to an adverse base (+4.6% in April 2023 vs. +1.9% in March 2023).

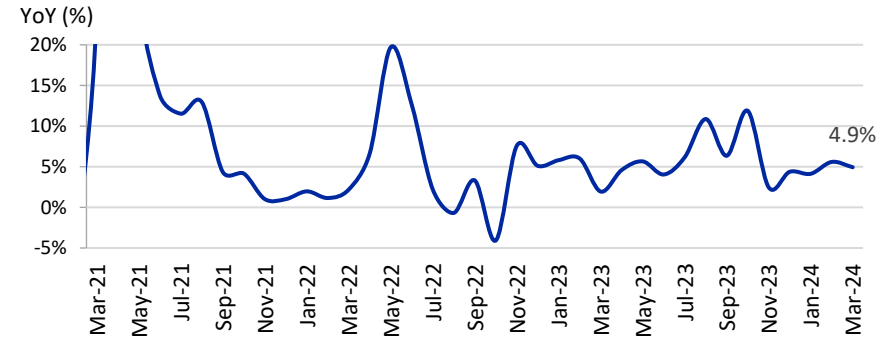
IIP growth moderated to 4.9% in March 2024 from 5.6% in February 2024, marginally exceeding expectations

EXHIBIT: Trends in index levels of IIP



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

EXHIBIT: Trends in YoY growth of IIP

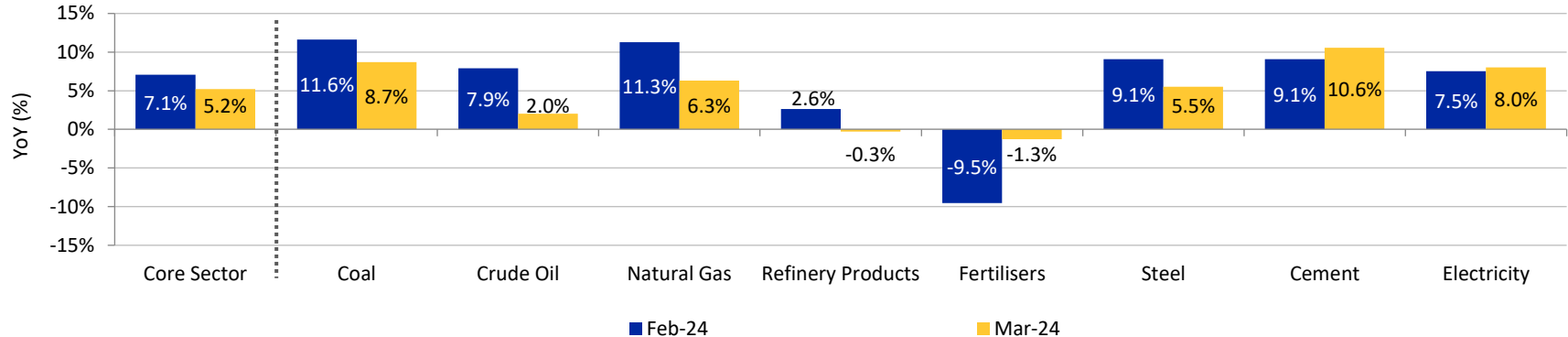


Source: NSO; CEIC; ICRA Research

- The YoY growth in the IIP expectedly slowed to 4.9% in March 2024 (+1.9% in March 2023) from the revised 5.6% in February 2024 (+6.0% in February 2023), as the leap-year effect faded, while printing slightly higher than ICRA's forecast (+4.5%) for the month.
- The moderation in the YoY IIP growth in March 2024, relative to the previous month was entirely driven by a sharp deterioration in the YoY expansion of mining output (to +1.2% in March 2024 from +8.1% in February 2024). In contrast, a favourable base boosted the YoY expansion of manufacturing output (to a five-month high of +5.2% in March 2024 from +4.9% in February 2024; +1.5% in March 2023) and electricity generation (to +8.6% from +7.5%; -1.6%) during this period, with the latter also being supported by rising temperatures which is likely to have boosted agricultural and household demand in March 2024.
- Notably, the index level for the industrial output printed at a series-high 159.2 in March 2024, likely boosted by the seasonal uptrend in volumes that is typically seen at the end of most fiscals.

YoY expansion in IIP trailed that of the core sector output in March 2024 for second straight month

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

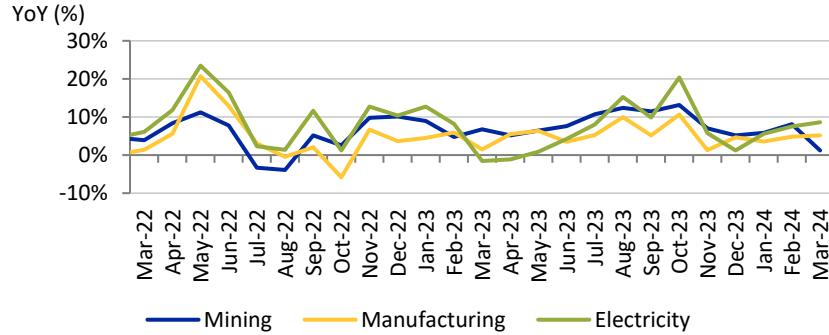


Source: Index of Eight Core Industries, Office of Economic Adviser, Ministry of Commerce and Industry; CEIC; ICRA Research

- The YoY rise in the output of the core sector had recorded a sharper easing to 5.2% in March 2024 from 7.1% in February 2024, also reflecting the fading of the leap-year effect, with five of the components, namely, coal, crude oil, natural gas, refinery products, and steel, reporting a flattening YoY trend between these two months.
- The YoY growth in the output of crude oil (to +2.0% in March 2024 from +7.9% in February 2024), coal (to a 10-month low +8.7% from +11.6%), natural gas (to +6.3% from +11.3%), and steel (to a 21-month low +5.5% from +9.1%) moderated in March 2024 vis-à-vis February 2024. While the output of refinery products slipped into a YoY contraction of 0.3% in March 2024 (+2.6% in February 2024), the extent of the YoY decline in fertilisers output narrowed to 1.3% from 9.5%, respectively.
- Moreover, the pace of expansion for cement output (to +10.6% from +9.1%) and electricity generation (to +8.0% from +7.5%; owing to uptick in temperature) rose to a three-month high each in March 2024.
- Notably, the YoY IIP growth (+4.9%) trailed the 5.2% YoY expansion seen in the core sector output (weight in IIP: 40.3%) in March 2024, for the second consecutive month in March 2024.

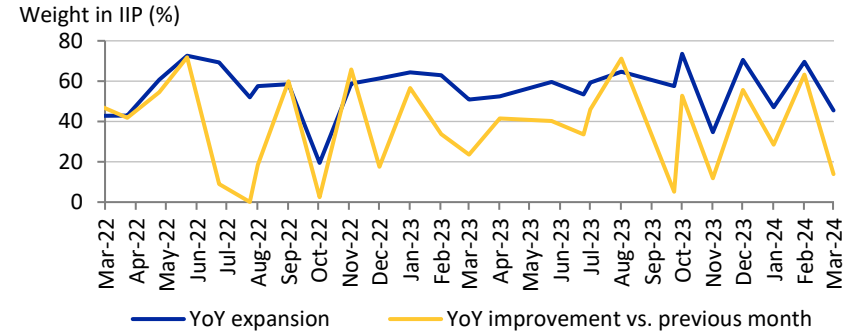
Mining entirely drove the dip in YoY IIP growth in Mar 2024 vis-a-vis Feb 2024; acceleration in manufacturing growth was led by just six of the 23 segments

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

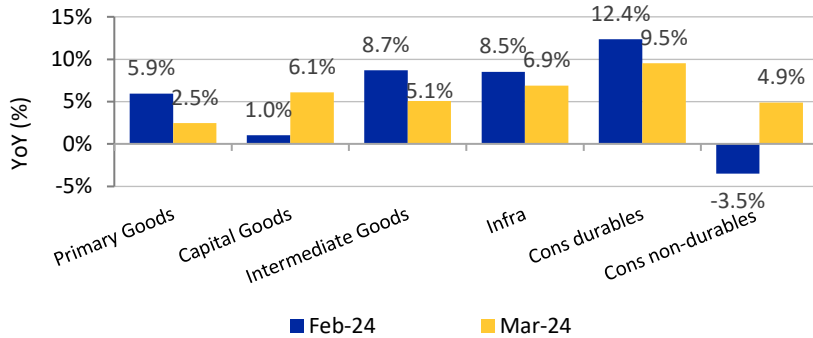


Source: NSO; CEIC; ICRA Research

- The YoY expansion in mining output dipped to a 19-month low of 1.2% in March 2024 (+6.8% in Mar 2023) from 8.1% February 2024 (+4.8% in Feb 2023), partly led by an unfavourable base, even as growth in coal output (+8.7%) remained healthy, thereby suggesting that performance of other minerals may have deteriorated sharply in the month.
- While the YoY growth in manufacturing (to +5.2% in Mar 2024 from +4.9% in Feb 2024) saw an uptick in March 2024 vis-à-vis February 2024, only six of the 23 sub-sectors of manufacturing (with a weight of 13.9% in the IIP) saw an improvement in their YoY performance between these months. This sub-set includes pharma, medicinal and botanical products, fabricated metal products, electrical equipment, etc. In contrast, the output of 17 sub-sectors (with a higher weight of 63.8% in the IIP) weakened in March 2024 relative to February 2024; this subset includes motor vehicles, trailers and semi-trailers, food products, chemicals and chemical products, basic metals, among others.
- Notably, the production of 15 of the 23 sub-sectors of manufacturing (with a sizeable weight of 45.6% in the IIP) increased on a YoY basis in March 2024, while the output of the remaining eight sub-sectors (with a lower weight of 32.1% in the IIP) contracted in the month.

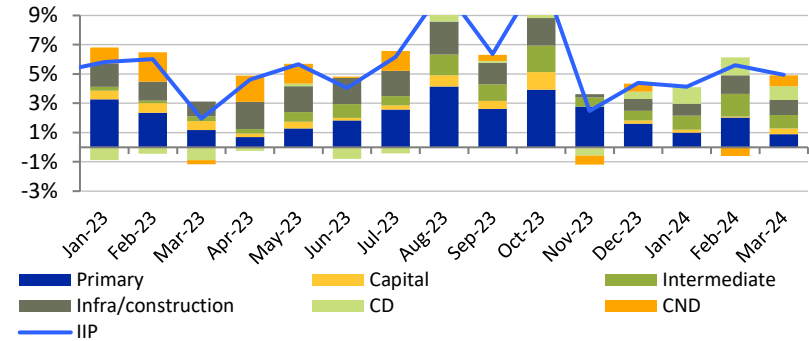
Four of the six use-based categories weakened on a YoY basis in Mar 2024 as compared to Feb 2024

EXHIBIT: YoY trends in IIP (use-based)



Source: NSO; CEIC; ICRA Research

EXHIBIT: Contribution to IIP growth by use-based categories

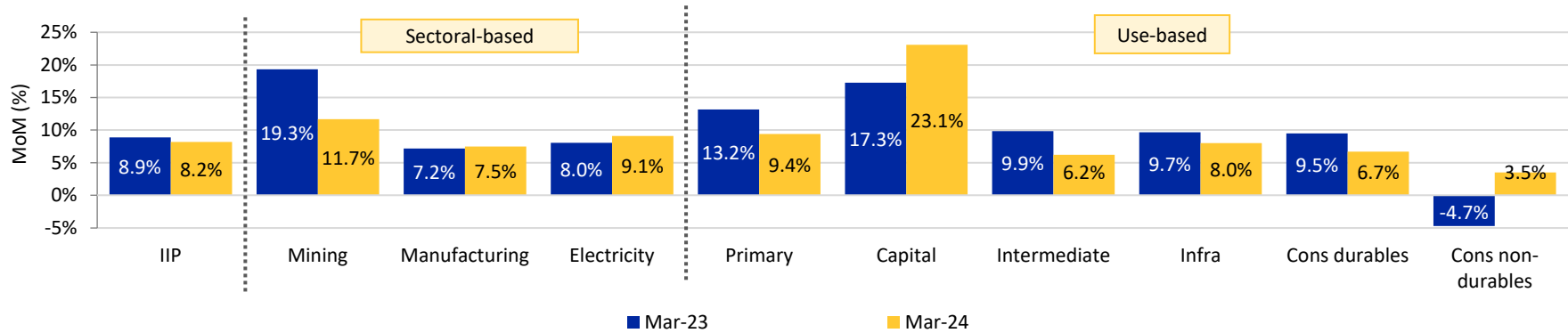


*CD: Consumer durables; CND: Consumer non- durables; Source: NSO; CEIC; ICRA Research

- Four of the six use-based categories recorded a weaker YoY performance in March 2024 vis-à-vis February 2024. This includes primary goods (to an 11-month low +2.5% in Mar 2024 from +5.9% in Feb 2024, led by mining), infrastructure/construction goods (to +6.9% from +8.5%; partly owing to the enforcement of Model Code of Conduct in mid-Mar 2024), intermediate goods (to +5.1% from +8.7%) and consumer durables (to +9.5% from +12.4%).
- On the contrary, the output of consumer non-durables increased by 4.9% on a YoY basis in March 2024, after witnessing a contraction in the previous two months (-3.5% in Feb 2024; -0.2% in Jan 2024). Moreover, the output of capital goods (to +6.1% in Mar 2024 from +1.0% in Feb 2024) saw an acceleration in YoY growth between these two months; this reflects a noticeable improvement after the average growth of ~2% seen during November 2023-February 2024.
- Interestingly, the output of consumer goods (durables + non-durables) trailed the corresponding pre-Covid levels of March 2019 by 1.3% in March 2024, even as the other categories of the IIP exceeded their pre-Covid levels in the month.

MoM uptick in March 2024 lower than that seen in March 2023

EXHIBIT: MoM trends in IIP and its sub-components

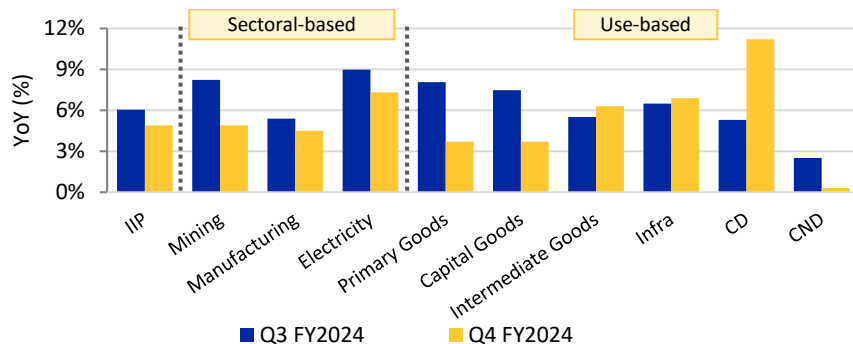


Infra: Infrastructure/ construction goods; Cons durables: Consumer durables; Cons non-durables: Consumer non-durables; Source: NSO; CEIC; ICRA Research

- In sequential terms, industrial output rose by a lower 8.2% in March 2024 vis-à-vis the 8.9% uptick seen in March 2023, as the leap-year effect is likely to have weighed on growth. Interestingly, the lower MoM growth was entirely driven by the mining sector (+11.7% in March 2024 vs. +19.3% in March 2023); manufacturing output (+7.5% vs. +7.2%) and electricity generation (+9.1% vs. +8.0%; aided by higher demand owing to the heatwave) witnessed a stronger sequential uptick in March 2024 vis-à-vis March 2023.
- Moreover, four of the six use-based categories of the IIP, namely, primary goods (+9.4% in March 2024 vs. +13.2% in March 2023), intermediate goods (+6.2% vs. +9.9%), infrastructure/construction goods (+8.0% vs. +9.7%) and consumer durables (+6.7% vs. +9.5%) witnessed a lower MoM expansion in March 2024 relative to March 2023. In contrast, the MoM uptick in the output of capital goods (+23.1% vs. +17.3%) and consumer non-durables (+3.5% vs. -4.7%) was higher than the levels seen in March 2023.

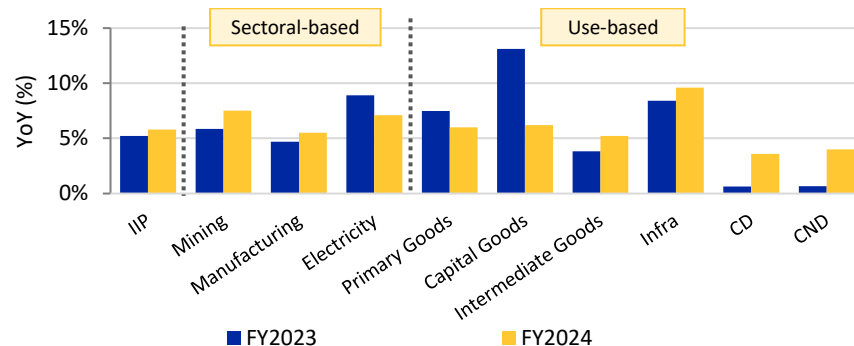
YoY expansion in IIP moderated to three-quarter low of 4.9% in Q4 FY2024; industrial output up by 5.8% in FY2024

EXHIBIT: YoY performance of IIP, its sectoral and use-based categories in Q3 and Q4 FY2024



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

EXHIBIT: YoY performance of IIP, its sectoral and use-based categories in FY2023-24

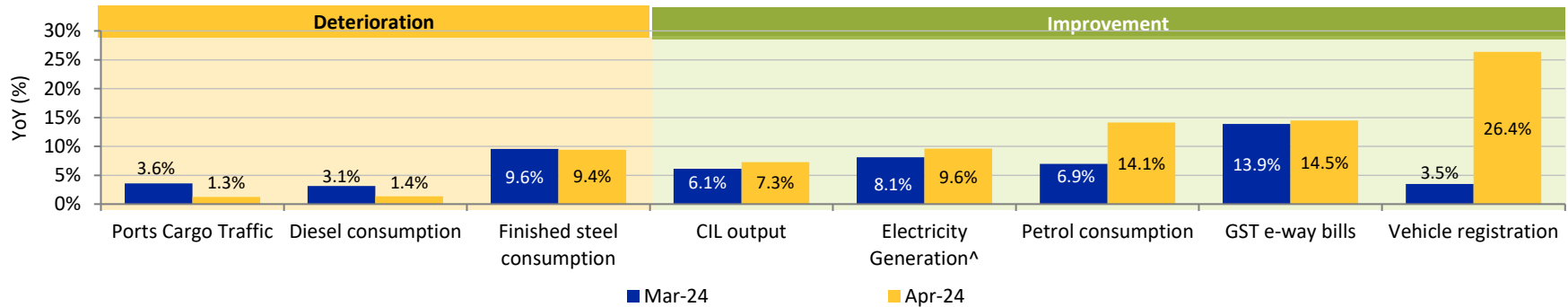


*Infra: Infrastructure/construction goods; CD: Consumer durables; CND: Consumer non-durables; Source: NSO; CEIC; ICRA Research

- The YoY growth in IIP eased to a three-quarter low of 4.9% in Q4 FY2024 from 6.1% in Q3 FY2024, led by a broad-based moderation across the mining (to +4.9% from +8.2%), electricity generation (to +7.3% from +9.0%) and manufacturing (to +4.5% from +5.4%) sectors. Slower volume growth, along with narrowing YoY commodity price deflation, is likely to have weighed on the industrial GVA growth during the quarter.
- The performance of the use-based industries was mixed, with three of the six categories (primary goods, capital goods and consumer non-durables) recording a weaker YoY performance in Q4 FY2024 vis-à-vis Q3 FY2024, while the other three categories (consumer durables, intermediate goods and infra/construction goods) witnessing an acceleration between these quarters.
- The IIP growth rose modestly to 5.8% in FY2024 from 5.2% in FY2023, led by an improvement in mining (to +7.5% in FY2024 from +5.8% in FY2023) and manufacturing (to +5.5% from +4.7%), even as the growth in electricity generation (to +7.1% from +8.9%) moderated. Moreover, four of the six use-based categories recorded an uptick in their growth in FY2024 vs. FY2023; this subset includes consumer durables and non-durables, intermediate goods and infra/construction goods.

OUTLOOK: IIP growth to decelerate to ~3-4% in April 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; CEA; CMIE; Goods and Services Tax Network; PPAC; Vahan Portal; CEIC; ICRA Research

- The YoY growth in a majority of the available high frequency indicators witnessed an uptick in April 2024 as compared to March 2024; this subset includes vehicle registrations (to an 18-month high +26.4% in Apr 2024 from +3.5% in Mar 2024), generation of GST e-way bills (to +14.5% from +13.9%), petrol sales (to a 22-month high +14.1% from +6.9%; partly owing to increased movement in the run-up to General Elections), output of Coal India Limited (to +7.3% from +6.1%; amid deficient rainfall in Apr 2024) and electricity generation (to a six-month high +9.6% from +8.1%; owing to rise in temperatures).
- In contrast, the YoY performance of diesel sales (to +1.4% from +3.1%), cargo traffic at major ports (to +1.3% from +3.6%) and finished steel consumption (to +9.4% from +9.6%; albeit remaining quite robust) deteriorated in April 2024 relative to March 2024.
- **Notwithstanding the trends in the available high frequency data for April 2024, ICRA anticipates the YoY IIP growth to decelerate to ~3-4% in that month from 4.9% in March 2024, owing to an adverse base (+4.6% in April 2023 vs. +1.9% in March 2023).**

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 (%)										
February-24	5.6%	8.1%	4.9%	7.5%	5.9%	1.0%	8.7%	8.5%	12.4%	-3.5%
March-24	4.9%	1.2%	5.2%	8.6%	2.5%	6.1%	5.1%	6.9%	9.5%	4.9%
MoM (%)										
February-24	-4.2%	-3.1%	-4.2%	-5.1%	-3.9%	-2.3%	-3.7%	-3.7%	0.0%	-8.9%
March-24	8.2%	11.7%	7.5%	9.1%	9.4%	23.1%	6.2%	8.0%	3.5%	8.2%
March-24/ March-19	10.5%	17.6%	7.3%	27.5%	15.9%	10.0%	8.5%	25.0%	-1.4%	-1.2%
Q4 FY2024 / Q4 FY2023	4.9%	4.9%	4.5%	7.3%	3.7%	3.7%	6.3%	6.9%	11.2%	0.3%
FY2024/FY2023	5.8%	7.5%	5.5%	7.1%	6.0%	6.2%	5.2%	9.6%	3.6%	4.0%

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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