

IIP Update: September 2023

Apart from the effect of 3 fewer holidays, the data reflects broadening of recovery to consumer and capital goods from primary goods, steel and cement.

Primary goods (PG) growth was at 12.4% YoY which was driven by pickup in electricity (warm/dry weather) as well as improved refining.

- Mining and electricity together made up over 75% of PG growth, helped by weaker rains in the month along with the working day effect.
- Refining output also picked up as seen in petrol and diesel in PPAC data, with likely on maintenance in Aug'22 adding to working day effects.

Capital goods (CG) output rising to 12.6% is the fastest since Nov'22.

- Machinery and equipment (77% CG) was at 12.4%, while other transportation (containing ship-building) was up 8.2% (this also contains weak 2W falling in consumer durables) and motor vehicles (containing CVs but also PVs that falls in consumer durables) was up 12.0%

Intermediate goods (IG) growth output was at 6.5% despite slowing of steel output in core sector data. Infra/construction goods (ICG) was up 14.9% YoY and is growing the fastest since May'22, with a strong growth in cement and non-ferrous metals.

- Strong growth in basic and fabricated metals despite slowing in steel, non-metallic minerals accelerates to 14.5% with strong cement.

Consumer durables (CD) expands 5.7% YoY with strong auto demand.

- Motor vehicles grows at 12% YoY, while 2W is likely to remain in contraction with phasing out of FAME subsidies.
- Wearing apparels (100% CD), other manufacturing (91.2% CD - jewellery) and Computers & electronics (73% CD) remain in contraction. The electronics part of the survey might need revision in sampling to bring it in line with the firms boosted by PLI.

Consumer non-durables (CND) growth picks up to 9.0% YoY, which was in line with the jump in pharma.

- Pharma (100% CND) was up 16.8% thus adding to improvement of anomaly in digestive enzymes seen over the years.

Food, beverages and tobacco remain in expansion for the second time since Jun'22.

- Accuracy of IIP readings in describing industry might be waning in line with the vintage of the base and the sample, but these are important as they are being used to compute informal manufacturing GDP growth.

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