

IIP Update: November 2023

India's September IIP came in at 5.8%, slowing from a 10.3% print for August which was largely boosted by working-day related impacts. The data shows slowdown in electricity demand from high heatwave levels thus adding to slower manufacturing of cement and steel (intermediate and infra goods). Weak trends in textiles, jewellery, furniture and electronics (vintage sample might not capture PLI trends) have kept consumer durables on the soft side despite a visible improvement in auto production.

India IIP slows to 5.8% YoY with softer than expected manufacturing:

- While the fall from 10.3% levels of August was on reversal of working day effects, the Sep print is notably lower than July as well despite stronger numbers in mining and electricity.
- Apart from manufacturing of petro-products, soft trends were noted in infrastructure goods as well which is made up in large parts by cement and steel. The production there had notably slowed in core sector IIP released at month-end.
- Consumer durables have been weak for many months now with limited activity in apparel, jewellery, stationary and furniture apparent of late. Weakness in computers, electronics and opticals within durables must be noted especially in the context of known positives around mobile phones, electronics and PLI, but it is likely that the vintage of IIP data results in capturing these improvements in an incomplete manner.
- Where numbers are much slower than expected is in consumer non-durables which is made up of F&B, tobacco, and pharmaceuticals, food and tobacco are notably softer. This could potentially be in line with the poor quality of monsoon as tobacco production also appears to have weakened. Slowing trends in pharma have to be looked at more carefully, driven as they are by outsized influence of digestive enzymes and antacids.

IIP numbers align with developments in other high frequency indicators:

- The leading high frequency indicators for September showed moderate growth in goods related metrics like rail freight, auto registrations, merchandise exports, manufacturing PMI, e-way bills and GST, even though weaker tractor sales and consumption of auto fuels give some pause. The numbers are broadly in line with IIP prints when looked at without non-durables, where more detailed data are required. The IIP prints indicate continued moderate growth in domestic industry and manufacturing, at a time when global manufacturing remains in contraction which implies output is satisfying domestic demand.
- As noted above, the vintage of IIP makes the reading not one that can be relied on alone as the prints are in line with other high-frequency indicators which allow the metric to be used for confirmation. IIP retains importance in the domestic macro space, being used to compute industrial GDP of the unorganized sector while corporate financial results are used for the organized sector.

A detailed look of IIP through its 23 sectors, feeding in to broader industries

Industry	Sep-23	Aug-23	Jul-23	FY24TD	FY23TD	FY23	FY22
Food Products	0.4%	4.4%	3.7%	3.2%	5.2%	3.8%	5.9%
Beverages	1.2%	2.4%	1.1%	13.5%	19.0%	19.9%	11.6%
Tobacco products	4.7%	7.4%	0.3%	-2.9%	9.3%	-0.6%	8.7%
Textiles	0.7%	1.6%	1.1%	-6.2%	15.6%	-6.7%	29.3%
Wearing apparel	7.9%	7.1%	2.3%	-12.2%	23.3%	-7.4%	27.4%
Leather and related products	0.0%	3.1%	3.5%	-3.9%	0.2%	-5.7%	1.3%
Wood and products	3.4%	2.9%	1.9%	-3.5%	12.8%	-0.7%	15.1%
Paper and products	3.3%	0.4%	3.2%	-1.1%	12.3%	0.6%	17.6%
Printing, reprodn, recorded media	3.9%	3.4%	8.8%	13.3%	20.4%	23.3%	12.4%
Coke, petroleum prods	2.6%	0.1%	4.2%	4.9%	9.8%	5.7%	8.9%
Chemical and products	5.6%	3.9%	6.6%	3.4%	6.3%	6.9%	4.3%
Pharma, medicinal products	2.8%	3.1%	2.7%	-2.6%	-2.5%	-2.5%	1.3%
Rubber and plastic products	1.5%	1.2%	0.1%	1.3%	5.2%	0.6%	7.9%
Non-metallic mineral products	1.7%	5.3%	6.4%	7.1%	16.3%	6.6%	20.1%
Basic metals	2.9%	4.6%	3.7%	9.6%	14.7%	8.1%	18.6%
Fabricated metal products	3.6%	3.2%	2.0%	0.7%	7.8%	-1.5%	10.9%
Computer, electronic, optical	3.9%	3.7%	6.9%	-9.3%	11.6%	-6.5%	11.1%
Electrical equipment	3.3%	7.7%	3.3%	0.4%	5.1%	-4.2%	12.2%
Machinery and equipment n.e.c.	4.8%	3.0%	3.0%	9.6%	11.2%	10.4%	11.0%
Motor vehicles, trailers etc.	1.1%	2.0%	3.0%	16.6%	21.9%	19.3%	18.2%
Other transport equipment	7.1%	3.2%	2.5%	9.4%	7.7%	11.6%	1.7%
Furniture	0.2%	3.8%	1.1%	3.2%	30.3%	16.4%	23.3%
Other manufacturing	3.5%	4.6%	3.7%	-3.6%	32.3%	-2.9%	48.9%

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