

IIP y-o-y growth slips to ten-month low of 0.4% in December 2021

Industrial Performance - Growth (% YoY)

	Weight	Dec-20	Oct-21	Nov-21	Dec-21	Apr-Dec 2020	Apr-Dec 2021
IIP	100	2.2	4.0	1.3	0.4	-13.3	15.3
By economic activity							
Mining & quarrying	14.37	-3.0	11.5	4.9	2.6	-11.0	16.0
Manufacturing	77.63	2.7	3.1	0.8	-0.1	-14.9	16.0
Electricity	7.99	5.1	3.1	2.1	2.9	-3.6	9.4
By usage							
Primary goods	34.05	0.4	9.0	3.5	2.8	-10.0	11.9
Capital goods	8.22	2.2	-1.5	-2.0	-4.6	-27.4	24.1
Intermediate goods	17.22	2.3	3.8	2.4	0.3	-14.5	20.6
Infra/constrn goods	12.34	3.1	7.0	3.1	1.7	-14.8	23.8
Consumer goods	28.17	3.7	-1.1	-1.8	-1.4	-12.8	10.8
Durables	12.84	6.5	-3.6	-5.4	-2.7	-24.5	20.5
Non-durables	15.33	1.9	0.9	0.5	-0.6	-4.5	5.4

Source: CMIE

■ The latest print for industrial production index growth reports moderation for the fourth consecutive month in December 2021. IIP growth on a y-o-y basis was reported at 0.4 percent in December 2021, vis-à-vis 1.3 percent growth in November (the growth number for November has also been revised down marginally from the earlier estimate of 1.4 percent). The y-o-y moderation in December, to some extent, can be attributed to an unfavorable base. However, on a m-o-m basis, the overall index noted a 7.5 percent increase in December 2021 vis-à-vis 4.7 percent contraction on a sequential basis in November. Also, in December, IIP index is now about 2.6% above pre-pandemic level.

■ As per economic activity classification of IIP, both mining & quarrying and manufacturing segments reported a moderation in growth on a y-o-y basis - with latter turning into the contractionary zone in December 2021. Manufacturing sector recorded (-) 0.1 percent y-o-y decline in output in December 2021. The fall was concentrated in 10 of the 23 sub-groups of the manufacturing sector.

■ Among the use-based classification of IIP, performance of all five subheads remained subdued. Capital goods segment was the worst performer reporting a 4.6 percent decline in December 2021 on a y-o-y basis. Consumer goods output, on the other hand, contracted as well - albeit at a lower pace - (-)1.4% in December 2021 vis-avis (-)1.8% in November 2021. While consumer durables output declined by 2.7 percent on a y-o-y basis in December 2021; consumer non-durables too contracted by (-) 0.6% in December vs an increase of 0.5% in November. Output of primary goods rose by 2.8 per cent and that of intermediate goods rose by 0.3 per cent in December 2021 – both noting a moderation in comparison to November numbers.

Manufacturing Sub segments - : Moderation in Growth (% YoY)

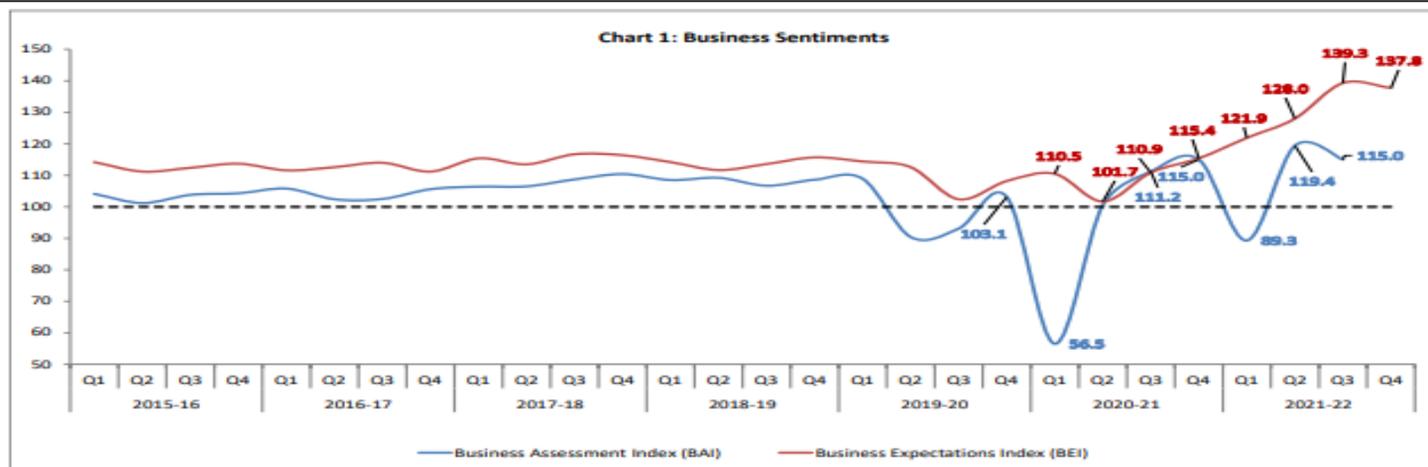
Month	Textiles	Wearing apparel	Leather & related products	Wood & products of wood	Paper & paper products	Printing & reproduction of recorded media	Chemicals and chemical products	Pharmaceutical, medicinal & botanical products	Rubber & plastics products	Basic metals	Fabricated metal products, except machinery & equipment	Electrical equipment	Machinery & equipment n.e.c.	Motor vehicles, trailers & semi-trailers	Other transport equipment	Furniture
Dec-20	-6.9	-18.0	-5.6	-4.2	-17.0	-19.9	7.2	6.7	8.9	6.3	3.3	9.6	9.6	6.8	-8.1	-10.1
Nov-21	8.5	31.3	-9.8	-4.6	11.5	2.6	-1.8	2.5	-6.3	6.5	-2.2	-6.9	-13.5	-5.1	-22.4	24.3
Dec-21	8.1	6.1	-7.9	-9.3	2.7	0.2	-5.5	-1.8	-9.7	1.7	-5.9	-15.6	-13.0	-4.5	-11.3	9.6

Source: CMIE

Manufacturing Sub segments – Improvement in Growth (% YoY)

Month	Food products	Beverages	Tobacco products	Coke and refined petroleum products	Other non-metallic mineral products	Computer, electronic and optical products	Other manufacturing
Dec-20	-1.7	-7.7	-2.1	-0.7	-4.8	21.4	-3.2
Nov-21	-2.2	0.2	3.3	3.2	-3.0	9.5	3.1
Dec-21	0.5	3.0	5.5	3.5	8.1	36.5	34.4

Reserve Bank of India – Industry Outlook Survey (February 2022)



- According to RBI's latest round of Industry Outlook Survey, Overall business expectations index (BEI) moderated to 137.8 in Q4:2021-22 from 139.3 in the previous quarter
- However, manufacturers perceive sequential improvements in demand conditions, capacity utilization and overall business situation till Q2:2022-23
- Respondents expect input cost pressures to continue, albeit with marginal easing, in the first half of 2022-23

Business Expectations of Select Parameters for extended period – Net response* (in %)

	Q3: 2021-22	Q4 2021-22	Q1 2022-23	Q2 2022-23
Overall Business Situation	70.3	63.4	66.8	67.2
Production	71.5	61.2	65.4	67.1
Order Books	70.3	61.5	62.8	64.5
Capacity Utilization	65.2	52.6	58.6	59.5
Employment	50.9	47.2	53.1	51.6
Cost of Raw Material	-75.2	-73.6	-71.2	-69.8
Selling Prices	57.4	50.3	55.9	53.6

*Net Response (NR) is the difference between the percentage of respondents reporting optimism and those reporting pessimism. It ranges from -100 to 100. Any value greater than zero indicates expansion/optimism and any value less than zero indicates contraction/pessimism.

Source: RBI

Comment

IIP growth numbers indicate that manufacturing activity is yet to find a solid ground. The number for the month of January is expected to be subdued as well given the omicron wave was at its peak and localized restrictions remained in place. The performance of capital and consumer goods remains muted. The Reserve Bank retaining an accommodative stance is a positive assurance. Also, the government's massive focus on capital expenditure in the Union Budget announced earlier this month is encouraging. This is expected to have a sanguine impact on demand over the medium-term horizon. However, some immediate support to give an impetus to consumption activity could have been a meaningful sentiment booster at this juncture.