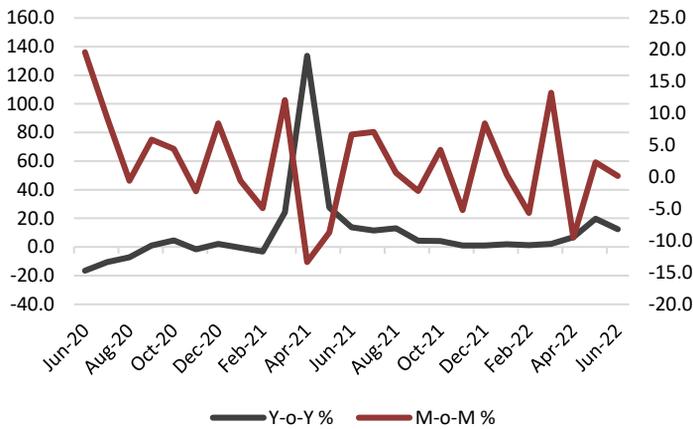


IIP y-o-y growth moderates to 12.3% in June 2022

Industrial Performance - Growth (% YoY)

Index of Industrial Production (Growth in %)



❖ The y-o-y growth in industrial production reported a moderation in June 2022 as compared to the previous month, even though the growth remained in double digits. The index registered a growth of 12.3 percent during the month of June 2022 vis-à-vis 19.6 percent y-o-y growth noted in May 2022. Likewise, the m-o-m growth in the index also noted a moderation with the overall index growing at 0.2 percent in June 2022 compared to 2.3 percent growth witnessed in the previous month.

❖ According to the economic activity wise classification of the industrial production index, the mining & quarrying sector noted a y-o-y growth of 7.5 percent in June 2022 as compared to 11.2 percent in the previous month on back of contraction in crude oil production and a moderation in natural gas and coal production. The electricity sector grew at 16.4 percent in June 2022 compared with 23.5 percent in the previous month; while the manufacturing sector growth moderated by almost 8 percentage points - declining to 12.5 percent y-o-y growth in June 2022 vis-à-vis 20.6 percent growth witnessed in May 2022.

❖ However, 21 of the 23 sub-sectors of manufacturing (total weight: 69.4%) displayed a YoY growth in June 2022. While two sub-sectors (pharma, medicinal chemical and botanical products, and textiles with a weight of 8.3%) witnessed a contraction in that month.

❖ As per the use-based classification, all major sub segments registered a moderation in growth levels in June 2022 compared to previous month - except for consumer non-durable goods segment that grew at 2.9 percent y-o-y, compared with 1.0 percent in May 2022.

Index of Industrial Production (IIP): Growth in %

	Jun-22/Jun-21 Y-o-Y	Jun-22/May-22 M-o-M	Jun-22/Jun-19 Over Pre-Covid
IIP	12.3	0.2	6.7
Mining & quarrying	7.5	-5.8	6.5
Manufacturing	12.5	1.3	5.7
Electricity	16.4	-1.5	13.4

Source: CMIE

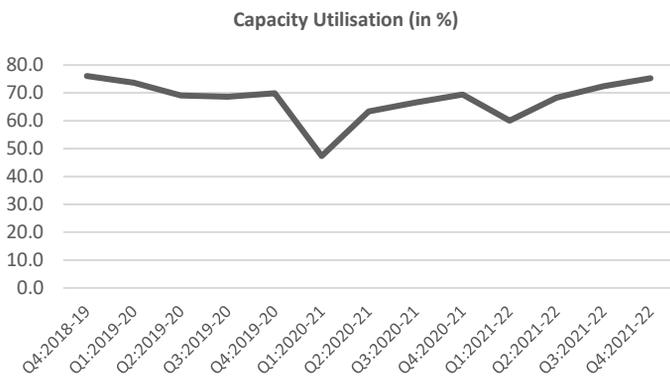
Industrial Performance – Detailed Segment wise- Growth (% YoY)

	Weight	Jun-21	Apr-22	May-22	Jun-22	Apr-Jun 2021	Apr-Jun 2022
IIP	100	13.8	6.7	19.6	12.3	44.4	12.7
Economic Activity Classification							
Mining & quarrying	14.4	23.1	8.0	11.2	7.5	27.5	8.9
Manufacturing	77.6	13.2	5.8	20.6	12.5	53.0	12.7
Electricity	8.0	8.3	11.8	23.5	16.4	16.8	17.1
Use Based Classification							
Primary goods	34.1	12.0	10.1	17.8	13.7	20.8	13.9
Capital goods	8.2	27.3	13.3	54.4	26.1	109.1	29.5
Intermediate goods	17.2	22.6	7.0	17.5	11.0	69.7	11.7
Infra/constn goods	12.3	20.0	4.0	18.2	8.0	84.0	9.8
Consumer goods	28.2	6.0	2.4	18.6	10.7	41.2	10.2
Durables	12.8	28.0	7.4	58.4	23.8	122.9	26.6
Non-durables	15.3	-3.9	-0.6	1.0	2.9	17.4	1.1

Source: CMIE

Capacity Utilization: Manufacturing

Business Expectations (Net Response in %)



Source: RBI Order Books, Inventories and Capacity Utilisation Survey on the Manufacturing sector for Q4:2021-22, August 2022

	Q2:2022-23	Q3:2022-23	Q4:2022-23
Overall Business Situation	70.7	70.8	72.2
Production	67.4	70.9	71.9
Order Books	68.1	70.6	71.7
Capacity Utilisation	60.6	68.3	68.3
Employment	54.9	63.1	59.8
Cost of Raw Materials	-79.0	-76.3	-75.0
Selling Prices	60.3	65.6	61.1

Net Response= difference between % of respondents reporting optimism and % reporting pessimism
Source: RBI Industrial Outlook Survey, August 2022

❖ As per RBI's latest survey, the capacity utilization in the manufacturing sector rose to 75.3 per cent in Q4 2021-22 from 72.4 per cent recorded in the previous quarter, thereby improving for the third successive quarter. Manufacturing companies received more new orders in the fourth quarter of FY22 as compared to the third quarter of the same year and the corresponding quarter a year ago.

❖ Further, as per the results of the Industrial Outlook Survey released by RBI, respondents retained their optimistic outlook on production, order books, and employment for Q2 2022-23. RBI's Business Expectations Index improved to 137.7 in Q2 2022-23 from 134.7 in Q1 of the same year. However, businesses expect pressures from rising raw material prices, labor and borrowing costs to continue in Q2:2022-23. Respondents expect marginal easing of input cost pressures only towards the later part of the year, and therefore, selling prices are expected to rise in the near term.

Comment

The onset of festive season and the monsoon keeping apace (barring in some regions) should bode well for consumption and the overall industrial sector. Also, the government capital expenditure seems to be on track and some optimism has been evident in private capex activity as well. Nonetheless, the headwinds from a global slowdown and rising interest rates continue to remain on fore and can undermine the recovery in the sector. Continuation of moderation is likely in the months ahead – which will also further reflect a waning base effect.