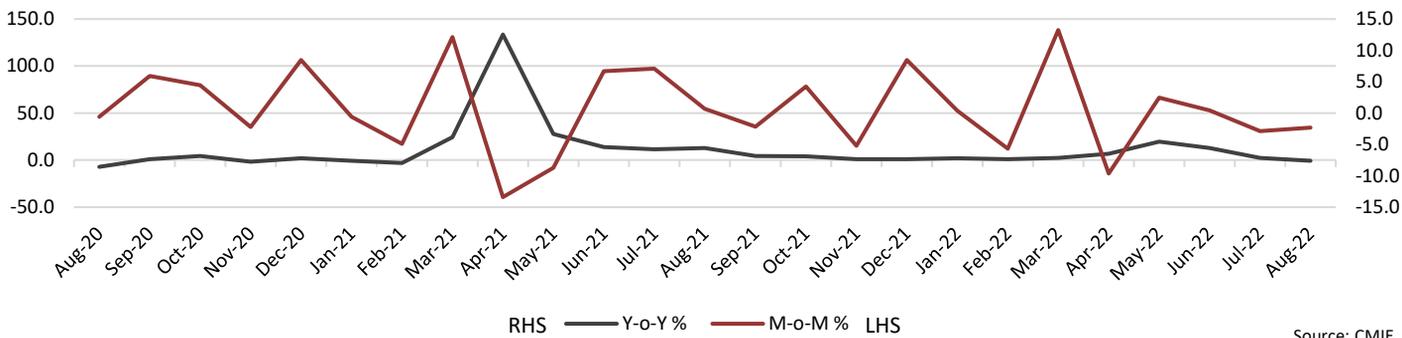


IIP contracts 0.8% y-o-y in August 2022

Industrial Performance - Growth (% YoY)



Source: CMIE

❖ The index of industrial production reported a contraction of 0.8 percent y-o-y in August 2022 as compared to y-o-y growth of 2.2 percent registered in July 2022. Industrial growth has been falling ever since it hit a one-year high of 19.6 percent in May 2022 due to waning of a favourable base effect. Likewise, on a m-o-m basis as well, IIP noted a contraction of 2.3 percent in August 2022, albeit marginally lower than the m-o-m contraction of 2.9 percent recorded in July 2022.

❖ According to the economic activity wise classification of the industrial production index, mining & quarrying sector noted a y-o-y decline of 3.9 percent in August 2022 compared with a 3.4 percentage decline in July 2022; while manufacturing output contracted by 0.7 percent y-o-y, vis-à-vis a growth of 3.0 percent y-o-y in the previous month. The electricity sector witnessed marginal growth of 1.4 percent y-o-y in August 2022 compared with 2.3 percent in the previous month. Under the manufacturing segment, 9 of the 23 sub-sectors viz tobacco products, textiles, wearing apparel, leather products, wood products, pharmaceuticals, rubber & plastics, fabricated metals, and electrical equipment witnessed a contraction in output in August 2022 on a y-o-y basis. The other sub-sectors witnessed a slowdown in growth in August, although it remained positive.

❖ As per the use-based classification, the consumer goods and its sub-segments viz consumer durables and non-durables registered a contraction in output in August 2022 compared to previous month. The remaining segments viz primary goods, capital goods, intermediate goods, and infrastructure goods, grew marginally in August 2022 although y-o-y growth noted a moderation vis-à-vis July numbers.

❖ In case of consumer durables, output of readymade garments, footwear, and electrical apparatus contracted quite significantly; while in the consumer non-durables category, contraction in output was driven by pharmaceuticals, sugar, tobacco products, rice, milk, paper products, and edible oil.

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

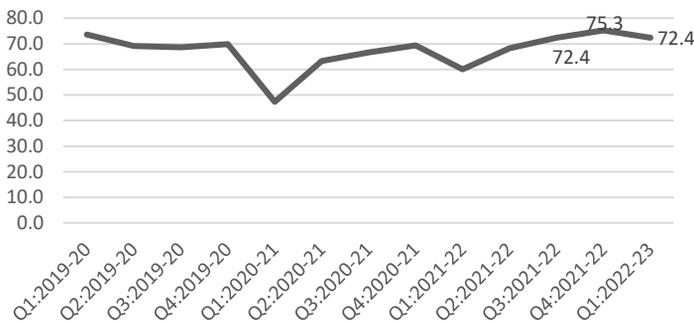
	Weight	Aug-21	Apr-22	May-22	Jun-22	Jul-22	Aug-22
IIP	100	13.0	6.7	19.7	12.7	2.2	-0.8
Economic Activity Classification							
Mining & quarrying	14.4	23.3	8.4	11.2	7.8	-3.4	-3.9
Manufacturing	77.6	11.1	5.6	20.7	13.0	3.0	-0.7
Electricity	8.0	16.0	11.8	23.5	16.4	2.3	1.4
Use Based Classification							
Primary goods	34.1	16.9	10.3	17.8	13.8	2.5	1.7
Capital goods	8.2	20.0	12.0	53.3	29.1	5.7	5.1
Intermediate goods	17.2	11.8	7.1	17.5	10.5	3.8	0.6
Infra/constn goods	12.3	13.5	4.0	18.4	9.3	3.8	1.7
Consumer goods	28.2	7.9	2.2	19.1	11.2	-0.8	-6.8
Durables	12.8	11.1	7.2	59.1	25.1	2.3	-2.5
Non-durables	15.3	5.9	-0.8	1.4	3.0	-2.8	-9.9

Source: CMIE

Capacity Utilization: Manufacturing

Business Expectations (Net Response in %)

Capacity Utilisation (in %)



Source: RBI Order Books, Inventories and Capacity Utilisation Survey on the Manufacturing sector for Q1:2022-23, September 2022

	Q2:2022-23	Q3:2022-23	Q4: 2022-23
Overall Business Situation	70.7	59.4	56.4
Production	67.4	56.2	55.9
Order Books	68.1	62.4	55.6
Capacity Utilisation	60.6	46.6	54.3
Employment	54.9	43.8	45.6
Cost of Raw Materials	-79.0	-64.2	-57.7
Selling Prices	60.3	45.1	46.3

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

❖ As per RBI's latest Order Books, Inventories and Capacity Utilisation Survey, the capacity utilization in the manufacturing sector sequentially declined from 75.3 per cent in Q4 2021-22 to 72.4 per cent in Q1 2022-23. Further, as per the results of the Industrial Outlook Survey released by RBI, optimism on overall business sentiments is expected to wane for Q3:2022-23 and Q4:2022-23, although respondents remained optimistic on demand conditions. On the plus side, however, pressures from cost of raw materials and labour cost are likely to soften during Q3:2022-23.

Non-Food Credit Growth is Slowing down on a sequential basis (% M-o-M)

	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22
Non-food	1.0	0.6	0.8	0.9	4.7	-0.8	0.5	2.4	0.6	0.5	1.1	1.9	0.8
Industry	-0.4	-1.3	0.9	0.4	4.2	2.1	2.9	0.7	-0.1	0.4	0.1	0.4	0.4
Micro & small	1.0	-9.9	2.3	1.6	9.0	3.8	4.3	10.0	2.3	1.2	0.5	0.5	1.0
Medium	1.3	7.8	2.8	2.1	22.1	-0.4	5.2	-9.0	1.9	0.2	1.0	-0.6	0.4
Large	-0.8	-0.3	0.5	0.0	1.9	2.0	2.4	-0.3	-0.8	0.2	-0.1	0.5	0.3
Personal loans	0.9	-4.4	1.3	1.0	3.4	3.0	4.0	2.3	1.8	0.7	1.5	2.1	1.5
Housing	0.8	-3.6	0.5	0.3	2.1	2.1	1.6	6.7	1.3	0.2	1.9	1.6	0.9
Vehicle loans	1.1	-27.4	0.8	1.0	1.5	0.7	17.1	22.2	2.7	1.2	2.2	2.7	1.3
Consumer durables	5.2	-45.3	6.6	5.9	6.5	96.3	3.3	3.9	4.6	2.4	2.9	5.6	2.3
Retail trade	-0.4	-5.6	1.1	-1.2	10.5	7.7	3.3	-1.5	-3.6	1.4	3.5	1.3	-1.1

Source: CMIE

Comments

The performance of Indian industry for the month of August 2022 has been the weakest since February 2021. Waning of base effect as well as geopolitical headwinds continue to exert downward pressure on industrial recovery amid slowing external demand. The output contraction is also being corroborated by a decline in capacity utilization rate and overall optimism level of industry players, as reflected by RBI's recent surveys. Further, monetary tightening by the Reserve Bank will also undermine growth over the near term. On a month-on-month basis, non-food credit growth has been witnessing some moderation with credit offtake to industry, retail sector, and the household sectors being impacted. Consumption demand continues to remain tentative with persistent inflation levels – and may be in for a moderation post festive season.