

# Hint of resilience in IIP

CRISIL First Cut | November 2017

## IIP holds up

The Index of Industrial Production (IIP) was up 3.8% on-year in September, after growing 4.5% in August (revised upwards from 4.3% earlier), riding on festive demand. Government's recent measures to address concerns related to Goods and Services Tax (GST), especially in the MSME segment, augur well for IIP growth. Earlier, core sector growth for September had come in at 5.2%, which marked the sharpest rise since April.

### Data readings

- Industrial activity continued to gather pace, assuaging slowdown fears seen after first-quarter GDP data. IIP rose for the second straight month, supported by 3.4% growth in manufacturing (the largest contributor to IIP with 77.6% weight) and 7.9% in mining (second-largest contributor with 14.4% weight). Electricity (having 7.9% weight) rose 3.4%, slower than the 8.3% seen in August.
- Within manufacturing, many segments saw high growth. For instance, 'pharmaceuticals, medicinal chemical and botanical products' grew the most by 26.4%, followed by 'computer, electronic and optical products', which was up 13.2%, and 'motor vehicles, trailers and semi-trailers', which clocked 13.1%. Overall, 11 out of 23 industry groups in the manufacturing sector showed positive growth on an annual basis. Some sectors that displayed high negative growth were, 'tobacco products' (-23.1%), followed by 'electrical equipment' (-19.2%). But broadly, September is the second consecutive month when both industrial and investment-oriented manufacturing sectors and consumer-oriented sectors (accounting for 63% and 37% of the manufacturing sector IIP respectively) grew – at 1.38% and 1.06%, respectively.
- According to use-based classification, capital goods grew 7.4% but on a very low base, so it may be premature to suggest a revival in investment activity. Consumer non-durables continued to march ahead, growing 10%, which suggests buoyant rural demand. Durables, on the other hand, de-grew (-4.8%), reflecting to some extent still fragile urban demand.

### IIP: Performers and laggards

% (y-o-y)	Weight %	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Q2 FY17	Q2 FY18
General	100.0	1.19	4.39	3.17	2.89	-0.3	0.9	4.5	3.8	4.5	3.1
Mining	14.4	4.6	10.1	3.0	0.3	0.1	4.5	9.2	7.9	-1.5	7.2
Manufacturing	77.6	0.7	3.3	2.9	2.6	-0.7	-0.3	3.4	3.4	5.5	2.2
Electricity	8.0	1.2	6.2	5.4	8.3	2.1	6.6	8.3	3.4	3.1	6.1
<b>Use-based classification</b>											
Primary	34.1	0.8	5.8	3.0	3.7	-0.3	2.2	7.1	6.6	1.8	5.3
Capital	17.2	-2.4	9.4	-4.8	-1.6	-6.1	-1.3	5.2	7.4	0.6	3.7
Intermediates	8.2	2.3	3.1	3.6	0.7	-1.2	-1.7	-0.7	1.9	3.0	-0.2
Infrastructure & Construction	12.3	-1.9	1.1	4.7	-0.1	1.0	3.5	2.7	0.5	4.8	2.2
Consumer Durables	12.8	-4.6	-0.6	-0.7	0.6	-3.5	-3.6	3.4	-4.8	5.9	-1.7
Consumer non-durables	15.3	10.4	7.5	8.8	9.7	4.8	3.6	7.3	10.0	12.8	7.0
Contraction	Growth slowing			Growth rising							

Source: CSO, CRISIL Research



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**Last updated: April 2016**

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