

## Industrial output steady over a 2-year horizon

Industrial output reported a 134.4% jump in Apr'21 on account of a low base (-57.3% in Apr'20). Notably, over a 2-year horizon, IIP has risen by 0.1% in Apr'21. Within this, electricity output rose by 6.8%. Intermediate and FMCG goods have increased by 11.5% and 1.6% respectively (over Apr'19). Infra/construction is also resilient. However, capital goods and durables have contracted (over Apr'19). India's industrial sector seems to have emerged stronger from the second wave. We expect GDP growth at 9.7% in FY22.

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**IIP sees a slight rebound in Apr'21 over a 2-year horizon:** On a low base (-57.3% in Apr'20), industrial output rose by 134.4% in Apr'21. It would be more meaningful to look at growth over a 2-year period. On this count, IIP has risen by 0.1%. This was led by 6.8% increase in electricity output. Mining output is higher by 0.2% over Apr'19. Manufacturing is lower only by 0.9% over Apr'19. Within manufacturing, tobacco, basic metals, food, rubber and plastic products, chemicals, wood products and pharmaceuticals have registered an increase over a 2-year horizon, thus indicating that economic impact of second wave on manufacturing is far more limited than the first wave.

**Intermediate goods and FMCG outperform:** Over a 2-year horizon, intermediate goods have shown an increase of 11.5% in Apr'21. Production of consumer non-durables (FMCG) is also up by 1.6%. Primary goods output has increased by 0.7%. On the other hand, capital goods output declined sharply by 14.3% in Apr'21 (over Apr'19). Even during FY21 capital goods saw a decline of 16.7%. So is the case with durable goods which contracted by 11.6% in Apr'21 (over Apr'19). In FY21 it declined by 12.2%. Infra/construction output was resilient and fell by only 0.1% in Apr'21 over a 2-year horizon. Notably, construction sector grew by 14.5% in Q4FY21.

**Industrial output to rebound:** During Apr-Aug'20, IIP index fell by 25% over the previous year. The low base will ensure high growth rate in H1. Interestingly, over a 2-year horizon, the index is holding up despite the restrictions placed by state governments, implying lower than anticipated impact on the economy. Even exports over a 2-year horizon are up by 8% and non-oil-non-gold imports fell by only 3%. While industrial output will show elevated growth in H1 on a low base, we expect growth to sustain in H2 as current restrictions are gradually removed and consumer confidence improves with vaccinations.

### KEY HIGHLIGHTS

- Industrial output rises by 134.4% in Apr'21 on account of a low base. Over a 2-year horizon, IIP rose by 0.1% in Apr'21
- Decline in capital and durable goods over a 2-year horizon.
- Industrial activity is expected to sustain even in H2FY22.



**FIG 1 – IIP SHOWS IMPROVEMENT OVER 2Y HORIZON**

Sectoral (%)	Weight	Apr-21 (change over Apr-19)	Apr-20	Apr-19	Apr-Mar'21	Apr-Mar'20
IIP	100.0	0.1	(57.3)	3.2	(8.2)	(0.6)
Mining	14.4	0.2	(26.9)	5.1	(8.1)	1.5
Manufacturing	77.6	(0.9)	(66.6)	2.5	(9.2)	(1.2)
Electricity	8.0	6.8	(22.9)	6.0	0.1	1.1
<b>Use-Based</b>						
Primary Goods	34.1	0.7	(26.6)	5.1	(7.0)	0.8
Capital Goods	8.2	(14.3)	(92.7)	(1.4)	(16.7)	(13.4)
Intermediate Goods	17.2	11.5	(63.9)	3.0	(9.7)	9.7
Infrastructure and Construction Goods	12.3	(0.1)	(85.0)	(0.7)	(8.1)	(3.4)
Consumer Durables Goods	12.8	(11.6)	(95.7)	2.2	(12.2)	(8.6)
Consumer Non-Durables Goods	15.3	1.6	(48.1)	5.4	(1.7)	0.2

Source: CEIC, Bank of Baroda Research

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