

IIP

11 March 2022

Industrial growth improves

IIP growth rose to 1.3% in Jan'22 from 0.7% in Dec'21 led by manufacturing (1.1% from 0.2% in Dec'21) and mining output (2.8% from 2.6% in Dec'21). Within manufacturing, output of apparels and printing and pharma products registered the most improvement. Infra and FMCG output rose to 5.4% and 2.1% respectively in Jan'22. Recovery in global economy remains at risk with deepening crisis between Russia and Ukraine, with commodity prices soaring ahead.

Madan Sabnavis

Chief Economist

Jahnavi

chief.economist@bankofbaroda.com

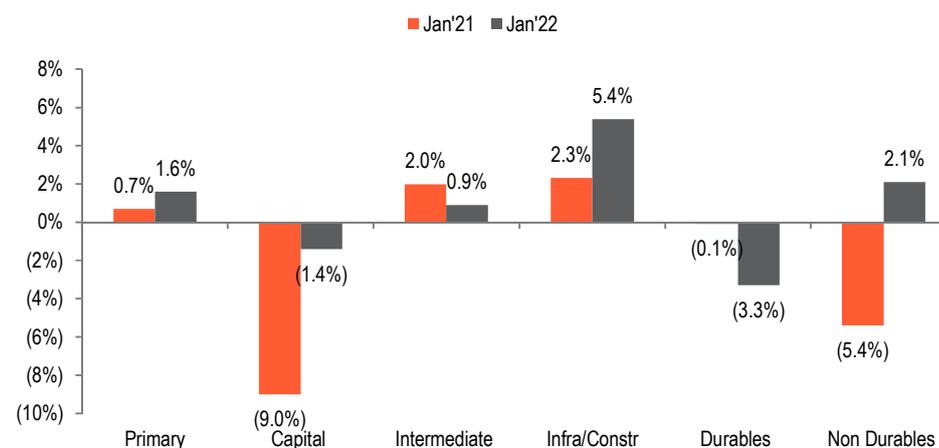
IIP growth accelerates: Industrial output expanded to 1.3% in Jan'22 from 0.7% in Dec'21 led by improvement in mining and manufacturing sector. Manufacturing output climbed to a 3-month high of 1.1% in Jan'22 compared with 0.2% growth in Dec'21. Mining sector too registered an improvement at 2.8% in Jan'22 (2.6% in Dec'21). However, electricity output moderated by 0.9% from 2.8% in Dec'21. Notably, over a 2-year horizon, IIP index is 0.7% above the pre-pandemic level. Mining sector rose by 0.3% in Jan'22 versus a contraction of (-) 0.5% in Dec'21. Output of both manufacturing (0.1% from 2.9% in Dec'21) and electricity (up by 6.4% in Jan'22 from 8.1% in Dec'21) have eased.

Manufacturing remains under pressure: Within the 23 broad sectors covered, 11 sectors under manufacturing reported contraction in Output in Jan'22. Amongst these, output of computer and electrical equipment, leather and leather products, as well as tobacco products dropped the most. On the other hand, following sectors namely apparels (21.8% from 6.1% in Dec'21), printing products (13% from 0.2% in Dec'22) and Pharma products (increase of 7% from contraction of 1.8% in Dec'22) registered the most improvements in Jan'22.

Infra and Cap goods strengthen: Within use-based classification, there has been a broad based improvement across sectors. Infra goods output has grown to a 3-month high of 5.4% in Jan'22 compared with 2.1% in Dec'22. FMCG goods rose to a 5-month high of 2.3% in Jan'22 after contracting by 0.1% in Dec'21. Capital goods output contracted at much slower pace of (-) 1.4% in Jan'22 (-3.8% in Dec'21). However, primary goods output moderated by 1.6% in Jan'22 (2.8% in Dec'21). Consumer durables contracted sharply by 3.3% in Jan'22.

Sustainable recovery remains a challenge: During Apr-Jan'22, IIP rose by 13.7% compared with a decline of 12% in the same period over the previous year. As the geopolitical tensions have come to the fore, pace of recovery in global economy is expected to be at a much slower pace than initially anticipated. Similar downside risk to growth too emerge on the domestic front.



Fig 1 – Use Based: Growth Rate

Source: CEIC, Bank of Baroda Research

Table 1: IIP growth moves up in Jan'22

(% change)	Jan'21	Jan'22	Apr-Jan'21	Apr-Jan'22
Mining	(2.4)	2.8	(9.9)	14.2
Manufacturing	(0.9)	1.1	(13.4)	14.3
Electricity	5.5	0.9	(2.7)	8.5
IIP general	(0.6)	1.3	(12.0)	13.7

Source: CEIC, Bank of Baroda Research

Disclaimer

The views expressed in this research note are personal views of the author(s) and do not necessarily reflect the views of Bank of Baroda. Nothing contained in this publication shall constitute or be deemed to constitute an offer to sell/ purchase or as an invitation or solicitation to do so for any securities of any entity. Bank of Baroda and/ or its Affiliates and its subsidiaries make no representation as to the accuracy; completeness or reliability of any information contained herein or otherwise provided and hereby disclaim any liability with regard to the same. Bank of Baroda Group or its officers, employees, personnel, directors may be associated in a commercial or personal capacity or may have a commercial interest including as proprietary traders in or with the securities and/ or companies or issues or matters as contained in this publication and such commercial capacity or interest whether or not differing with or conflicting with this publication, shall not make or render Bank of Baroda Group liable in any manner whatsoever & Bank of Baroda Group or any of its officers, employees, personnel, directors shall not be liable for any loss, damage, liability whatsoever for any direct or indirect loss arising from the use or access of any information that may be displayed in this publication from time to time.

Visit us at www.bankofbaroda.com



For further details about this publication, please contact:

Economics Research Department

Bank of Baroda

chief.economist@bankofbaroda.com