

## 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 2.3% respectively in Jan'22. Recovery in global economy remains at risk with deepening crisis between Russia and Ukraine, with commodity prices soaring ahead.**

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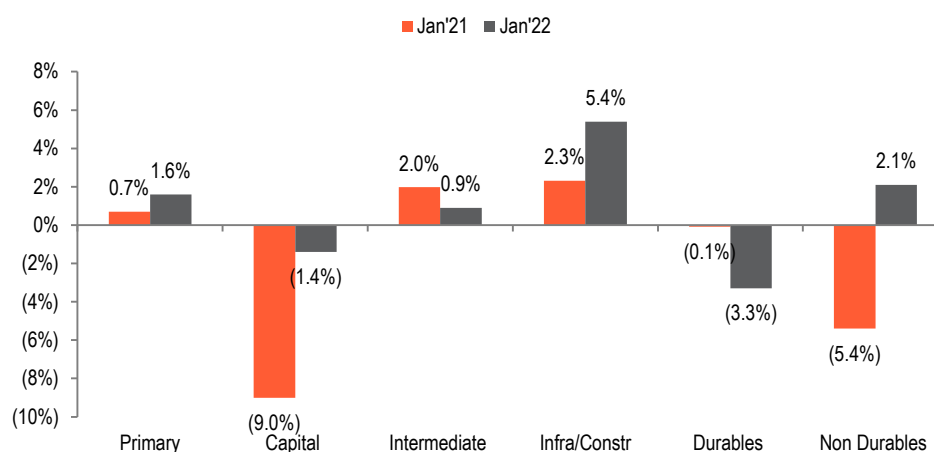
**IIP growth accelerates:** Industrial output expanded to 1.3% in Jan'22 from 0.7% in Dec'21 led by improvement in mining and manufacturing sector. Manufacturing output climbed to a 3-month high of 1.1% in Jan'22 compared with 0.2% growth in Dec'21. Mining sector too registered an improvement at 2.8% 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 below the pre-pandemic levels.

**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 6.15 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
<b>Mining</b>	(2.4)	2.8	(9.9)	14.2
<b>Manufacturing</b>	(0.9)	1.1	(13.4)	14.3
<b>Electricity</b>	5.5	0.9	(2.7)	8.5
<b>IIP general</b>	(0.6)	1.3	(12.0)	13.7

Source: CEIC, Bank of Baroda Research

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