

Industrial growth improves to 5.2% in Jan, second highest since July 2022

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Industrial production grew by 5.2 per cent in January, showed data released by the Statistics Ministry on Friday. The growth number derived from the Index of Industrial Production (IIP) was 4.7 per cent in December and 2 per cent in January last fiscal.

With this improvement, all eyes would be on inflation data, to be released next week. These two high frequency economic indicators, especially inflation, will play an important role in the monetary and credit policy review. The expectation is that there could be one more round of rate hike as core inflation remains sticky at over 6 per cent.

WHAT TO EXPECT

Data showed that while the manufacturing sector's output increased by 3.7 per cent in January against 1.9 per cent last January, mining output rose 8.8 per cent and power generation surged 12.7 per cent against 3 per cent and 0.9 per cent, respectively, during January. However, growth in the remaining two months of the current fiscal may not be as high as December and January.

Terming the latest overall

growth number as moderate, Aditi Nayar, Chief Economist with ICRA, said that the healthy performance of primary, capital and infra goods and consumer non-durables offsets the marginal rise in intermediate goods and contraction in consumer durables. A portion of the continuing, albeit narrower, contraction in consumer durables stemmed from weak exports. Latest growth number stood at the second highest level since July 2022.

Rajni Sinha, Chief Economist with CARE ratings, said the positive momentum effect continued to support industrial activity for the third consecutive month. Export-intensive items such as textiles, leather and apparels continued to witness contraction

in output. Expansion in the consumer non-durable goods output for the third consecutive month is a positive development, she added.

KEY FACTORS

Sinha feels resilient urban demand, easing commodity prices and improvement in rural demand are tailwinds for industrial output. "Going ahead, factors like high inflation, rising interest rates, weak external demand and waning domestic pent-up demand pose downside risks for the momentum in industrial activity," she said.

Mohit Ralhan, CEO with TIW Capital, expects "a revival of the capital investment cycle and high spending on infrastructure to keep IIP growth above 5 per cent, keeping economic growth on track."

Industrial growth (in %)

