

IIP growth in June slows to three-month low of 3.7%

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Growth in the index of industrial production (IIP) cooled to a three-month low of 3.7 per cent in June from 5.2 per cent in May, on the back of a high base effect and slowdown in manufacturing output, the data released by the National Statistical Office (NSO) on Friday showed.

Growth in manufacturing output decelerated to 3.1 per cent, whereas that in electricity and mining accelerated to 4.2 per cent and 7.6 per cent, respectively, from last month.

The IIP was 12.6 per cent in June 2022.

In the first quarter (Q1) of FY24 (April-June), the IIP grew 4.5 per cent against 12.7 per cent during the year-ago period.

Fourteen of the 23 manufacturing sectors in the index, such as food products, beverages, tobacco, textiles, apparel, wood, paper products, and chemicals, registered a contraction in output growth during June.

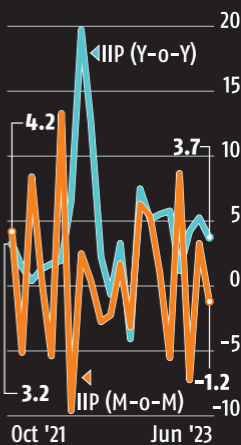
Madan Sabnavis, chief economist, Bank of Baroda, said that IIP growth came in lower in June, belying the hopes engendered by the consumer goods segment and core sector print, due to slowdown in manufacturing as food, textiles, and electronics were the significant non-performers while infrastructure industries excelled. "The performance of electronics is a disappointment because this industry had been a front-runner for the production-linked incentive scheme," he added.

Infrastructure goods grew at a robust 11.3 per cent, whereas primary goods and intermediate goods grew at a moderate 5.2 per cent and 4.5 per cent, respectively. Consumer non-durables, comprising fast-moving consumer goods, grew at a sluggish pace of 1.2 per cent, while consumer durables saw a contraction of 6.9 per cent, thus showing stagnation in consumption and demand.

"The third quarter will be crucial for the manufacturing sector because this would be the time when festival demand would add to growth.



THE TRAJECTORY



*Provisional Source: NSO

Here, both rural and urban demand would matter. Inflation has definitely come in the way of real purchasing power, and while core inflation has been stable, food inflation has come in the way," Sabnavis added.

Rajani Sinha, chief economist, CARE Ratings, said with risks to global growth remaining on the downside, weakness in external demand was expected to persist.

Aditi Nayar, chief economist, ICRA, said IIP growth in July was expected to increase to 4-6 per cent because the performance of most available high frequency indicators such as petrol and diesel sales, the generation of goods and services tax e-way bills, the output of Coal India Ltd, cargo traffic at major ports, rail freight traffic and electricity generation improved in July 2023 relative to June 2023.