

Manufacturing in dire straits: Output up 1.1% over FY20

INDIVJAL DHASMANA

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Manufacturing is in much more pain than what was revealed by the year-on-year (YoY) growth in the Index of Industrial Production (IIP) data. While it grew 3.2 per cent in July YoY, the expansion was just 1.1 per cent when compared with the same month in the pre-Covid year of 2019-20.

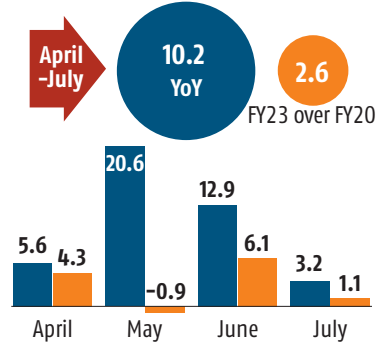
The picture was different for the other two major segments of the IIP — mining and electricity. Though mining output contracted 3.3 per cent YoY in July, it has grown about 1 per cent compared with 2019-20. Electricity generation rose 2.3 per cent in July YoY, but it has grown almost 11 per cent over 2019-20.

Manufacturing rose 10 per cent in the first four months of FY23 on a yearly basis, but was up just 2.6 per cent when compared with the corresponding period of 2019-20.

In a way, the data pertaining to manufacturing tells a story similar to what was revealed by the gross



BEHIND THE NUMBERS Manufacturing in IIP growth (%)



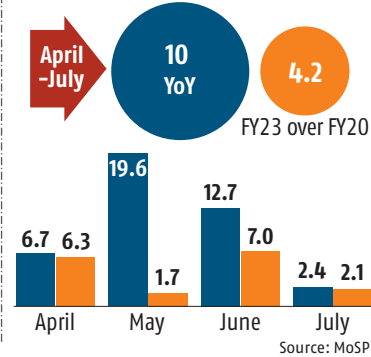
domestic product (GDP) data. Manufacturing gross value added (GVA) grew just 4.8 per cent, whereas overall GVA grew 12.7 per cent in the first quarter of the current fiscal year.

It should be noted that manufacturing in IIP is in physical volume terms, while in GDP or GVA it is in value addition terms. For measuring manufacturing GVA, IIP is used for

the non-corporate and unorganised sector, while the rest is taken from stock exchanges.

ICRA Chief Economist Aditi Nayar said the July manufacturing print in IIP is certainly tepid. “However, the high frequency indicators such as auto output and GST e-way bills are pointing towards a healthier August.”

IIP growth (%)



Despatches at India's top seven automotive companies rose 30.2 per cent year-on-year to 305,744 units from 234,743 units, shows the monthly sales data released by the companies. This is the sharpest year-on-year growth seen in the current fiscal year with the exception of May, when the growth came on last year's low base.

As many as 78.2 million e-way bills were generated in August against 75.6 million in July.

However, Nayar added a word of caution, “With the shift in consumption to services, industrial output growth is likely to be relatively modest in the immediate term.”

The IIP and GDP numbers show that growth is not broad based, said Bank of Baroda's Chief Economist Madan Sabnavis. “Right now, those related to infrastructure are doing well, while the consumption piece is still not in place,” he added.

Infrastructure/construction output rose 3.9 per cent, while consumer non-durables contracted 2 per cent and consumer durables grew 2.4 per cent in July on a yearly basis. The growth stood at 7.1 per cent for infrastructure, but consumer non-durables and durables contracted 2.4 per cent and 6.7 per cent, respectively, this July compared with 2019-20. He said all sectors need to grow together for sustained growth. “That's when we will see accelerated growth in IIP,” Sabnavis added.