

Industrial output growth at 8-month low of 2.7% in April

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Growth in industrial production fell to an eight-month low of 2.7 per cent in April from an upward revised figure of 3.94 per cent in March due to high base effect and a sequential decline registered in the output of the mining sector, according to data released by National Statistics Office (NSO) on Wednesday.

The index of industrial production (IIP) data showed that the output of the mining sector (-0.2 per cent) contracted during April for the first time in eight months. Meanwhile, output in the electricity sector (1.1 per cent) decelerated in April to a seven-month low. Output in the manufacturing sector grew 3.4 per cent, decelerating slightly from March. In April 2024, the IIP had grown by 5.2 per cent.

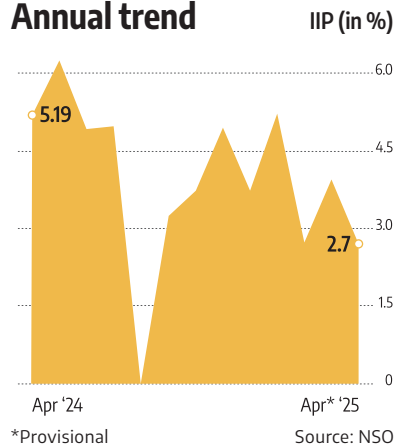
Madan Sabnavis, chief economist, Bank of Baroda, said that the industrial growth in April comes as a positive indicator to start the new financial year considering that the core sector performance during April was sub-optimal.

Earlier this month, government data showed that output growth in India's eight core infrastructure industries plummeted to an eight-month low of 0.5 per cent in April, with three sectors, including refinery products and fertilisers, contracting sharply, and electricity and natural gas clocking slight uptick.

According to use-based classification, output in the primary goods (-0.4 per cent) segment contracted for the first time since August 2024 and output in consumer non-durable (-1.7 per cent) segment remained in the contractionary zone for the third consecutive month. Output



Annual trend



growth in the consumer durables segment decelerated, but remained robust (6.4 per cent).

Rajani Sinha, chief economist, CareEdge Ratings, said that domestic consumption landscape remains a key monitorable due to the prevailing unevenness in demand recovery.

"A favourable agricultural performance and expectations of a normal monsoon remain supportive of rural demand. However, a durable urban demand recovery is yet to be seen. Furthermore, the continued improvement in the inflation scenario led by easing of food inflation is a key tailwind for the demand recovery," remarked Sinha.

Meanwhile, output in the capital goods sector (20.3 per cent) accelerated to touch the 18-month high mark, signalling improved investment activity in the economy, driven by both electrical and non-electrical machinery. Intermediate goods (4.1 per cent) output also accelerated during the month.

At the two-digit level industrial classification, 16 out of 23 sectors recorded positive growth in April, which is the highest number in three months. These included sectors like food products, tobacco, textiles, wearing apparel, wood products, rubber products, basic metals, computers and electronics among others.

Paras Jasrai, associate director, India Ratings, said that lower than normal temperatures in May would have resulted in a plausible contraction in the electricity output in May. The unseasonal rains could also affect the construction goods output.

"These along with an unfavourable base effect are expected to keep the factory output growth under 2 per cent in May," he added.

Starting April 2025, IIP data is now being released on 28th of every month, thus bringing down the time lag from 42 days to 28 days from the reference month and also doing away with the need to revise the index twice.