

India's Infrastructure output Update

Economic Update | 2nd January 2023

Infrastructure output rises 5.4% on base effect

Event	Actual	Consensus	Previous
Infrastructure output	5.4%	1.5%	0.9%

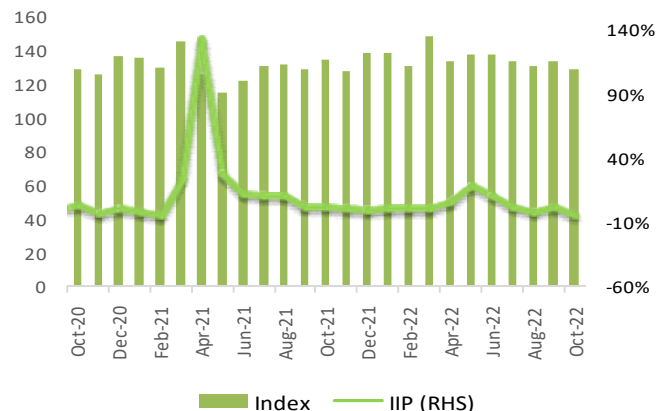
Highlights:

- Output growth of India's eight core sectors rebounded to 5.4% YoY in November from a revised estimate of a 0.9% YoY uptick in October, the slowest in 20 months. This was despite the fact that overall production levels in November 2022 remained the same as the previous month.
- Cement output recovered sharply from a 4.3% YoY contraction in October to jump of 28.6% YoY in November, while coal and electricity production levels accelerated to 12.3% YoY and 12.1% YoY, respectively.
- Steel output grew at the fastest pace in six months at 10.8% YoY, but production levels were 2.35% lower than October 2022. Fertiliser production grew 6.4% from November 2021 levels.
- However, the recovery in these sectors was offset by a continued dip in crude oil, natural gas and refinery output.
- Refinery products hit a 21-month low, contracting 9.3% YoY in November compared to a 3.1% YoY fall in October. Crude oil output contracted for the sixth successive month, shrinking 1.1% YoY in November, while natural gas production dropped 0.7% YoY, marking the fifth consecutive month of contraction.
- The growth rate of eight infrastructure sectors stood at 8.0% in April-November this fiscal as against 13.9% during the same period last fiscal.
- Recovery in YoY growth rate of core sectors bodes well for industrial output numbers in November after a shocking 4% drop in October, as core sectors constitute about 40% of the Index of Industrial Production (IIP).
- IIP is likely to display an improvement to a growth of 3-4% in November, on better performance of the core industries, given the drag imposed by weaker exports.
- October's core sectors' performance was partly driven by base effects but disaggregated trends were highly varied with four sectors growing in double-digits and three reporting contraction. Going forward, core sectors are likely to grow around 5% in December on account of the strong performance of power generation (up 13.3% till December 29). Steel and cement sectors too are expected to register good growth in the near term on the back of sustained capex support from both the State and the Central governments.

Sutapa Biswas
 Research Analyst (Economy)
 9836020612
sutapa.biswas@smifs.com

Fig 1: Infrastructure output Trend YoY% and Index


Source: Mospi, SMIFS Research

Fig 2: IIP Trend YoY% and Index Level


Source: , SMIFS Research

Tab 1: Infrastructure output Table

YoY % Growth	Index	Nov-22	Oct-22	Nov-21	Apr-Nov 2022-23	Apr-Nov 2021-22
Overall	100	5.4	0.9	3.2	8.0	13.9
Coal	10.3	12.3	3.7	8.2	17.2	11.5
Crude Oil	8.98	-1.1	-2.2	-2.2	-1.4	-2.7
Natural Gas	6.9	-0.7	-4.2	23.7	0.7	22.8
Refinery Products	28.04	-9.3	-3.1	4.3	5.7	10.6
Fertilizers	2.6	6.4	5.4	2.5	10.0	-0.6
Steel	17.92	10.8	6.5	0.9	7.1	26.1
Cement	5.4	28.6	-4.3	-3.6	10.8	28.2
Electricity	19.85	12.1	1.2	2.1	9.7	10.3

Source: Mospi, SMIFS Research

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Contact us:

SMIFS Limited. (<https://www.smifs.com/>)

Compliance Officer:

Sudipto Datta

5F Vaibhav, 4 Lee Road, Kolkata 700020, West Bengal, India.

Contact No.: +91 33 4011 5414, +91 33 6634 5414

Email Id: compliance@smifs.com

Mumbai Office:

206/207, Trade Centre, Bandra Kurla Complex (BKC), Bandra East, Mumbai – 400051, India

Contact No: (D) +91 22 4200 5508, (B) +91 22 4200 5500

Email Id: institutional.equities@smifs.com

Kolkata Office:

Vaibhav, 4 Lee Road, Kolkata 700020, West Bengal, India.

Contact No: (D) +91 33 6634 5408, (B) +91 33 4011 5400

Email Id: smifs.institutional@smifs.com