

India's Infrastructure output Update

Economic Update | 1st December 2022

Infrastructure output slows down to 20 months low

Event	Actual	Consensus	Previous
Infrastructure output	0.1%	6.1%	7.8%

Highlights:

- The growth rate in the production of eight key sectors slowed down to 0.1% YoY in October against a downwardly revised 7.8% in the previous month and 8.7% in the same month last year. It was the smallest increase in infrastructure output since February 2021.
- The production of fertilizers, steel, coal and electricity generation increased in October 2022 over the corresponding month of last year while crude oil, natural gas, refinery products, and cement output recorded negative growth rate.
- While crude oil and natural gas output have declined consecutively for five and four months, respectively, the output in refinery products and cement sectors contracted for the first time after a gap of 18 and 20 months, respectively. The spell of unseasonal rain in October may have impacted the cement and electricity sectors. Even the momentum (mom seasonally adjusted growth) turned negative as the core sector output in October came in at 2.2% lower than in September.
- Coal registered a growth of 4.6% even though the base effect was high at 14.7%, in a sign of better demand from the industry as electricity production growth was also low. Fertilizer production was up at 5.4% as we are in the midst of rabi sowing and demand would be steady.
- During October, steel production was up by 4%, while cement fell by 4.3%. Government capex has been the driving factor here. Cement has declined due to the high base effect of 14.6% registered last year. With sustained capex support, the output in steel and cement sectors is expected to do well in the coming months.
- The production growth of eight infrastructure sectors was 8.2% during April-October this fiscal, compared to 15.6% a year ago.
- Dismal infrastructure growth could mean that industrial output growth would also be lackluster in October. The eight core industries hold 40.27% weight in the Index of Industrial Production (IIP) and are seen as critical for the revival of industrial production in India. While this is a sign of weakening activity, the high base effect has also played a role in October print. Hence, given that growth moderated from November last year, we may expect a better performance from the core sector.

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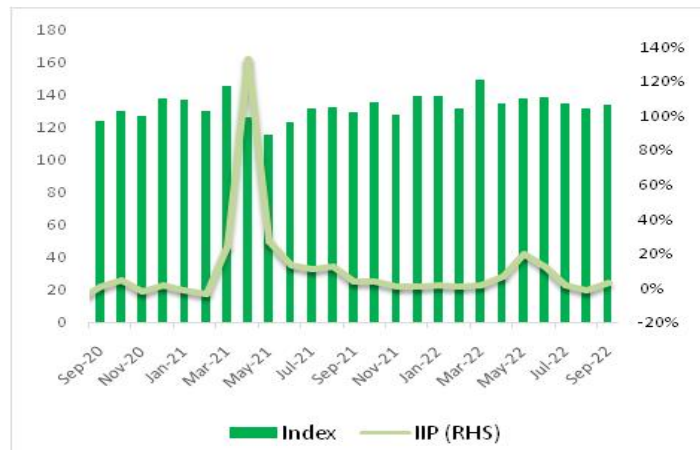
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Fig 1: Infrastructure output Trend YoY% and Index


Source: Mospi, SMIFS Research

Fig 2: IIP Trend YoY% and Index Level


Source: , SMIFS Research

Tab 1: Infrastructure output Table

YoY % Growth	Index	Oct-22	Sep-22	Oct-21	Apr-Oct 2022-23
Overall	100	0.1	7.8	8.7	8.2
Coal	10.3	3.6	12	14.7	18.1
Crude Oil	8.98	-2.2	-2.3	-2.2	-1.4
Natural Gas	6.9	-4.2	-1.7	25.8	0.9
Refinery Products	28.04	-3.1	6.6	14.4	8.1
Fertilizers	2.6	5.4	11.8	0.04	10.5
Steel	17.92	4	5.7	5.9	6.1
Cement	5.4	-4.3	12.4	14.6	8.6
Electricity	19.85	0.4	11.6	3.2	9.3

Source: Mospi, SMIFS Research

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