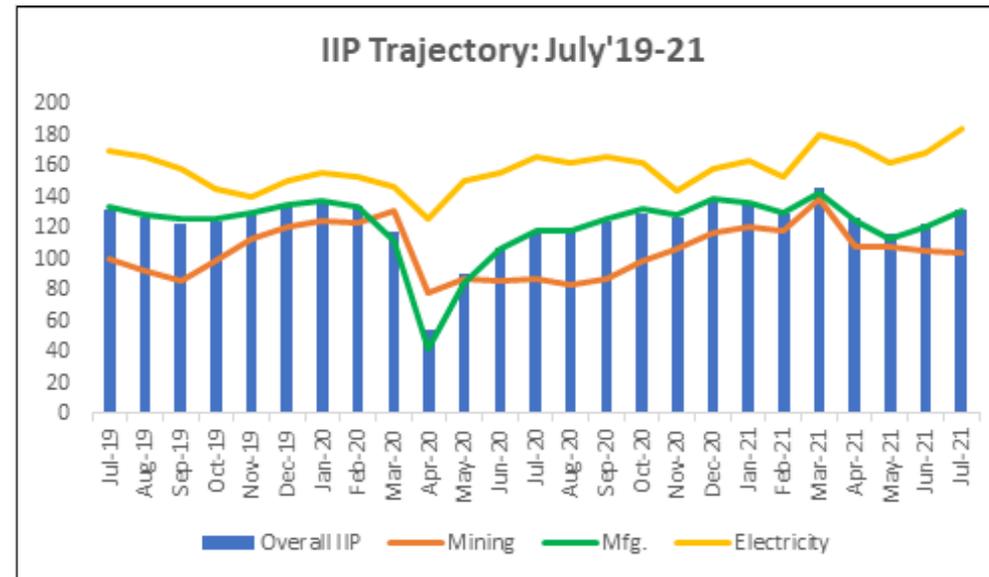


**Comments on:
India's IIP July '21 Data**

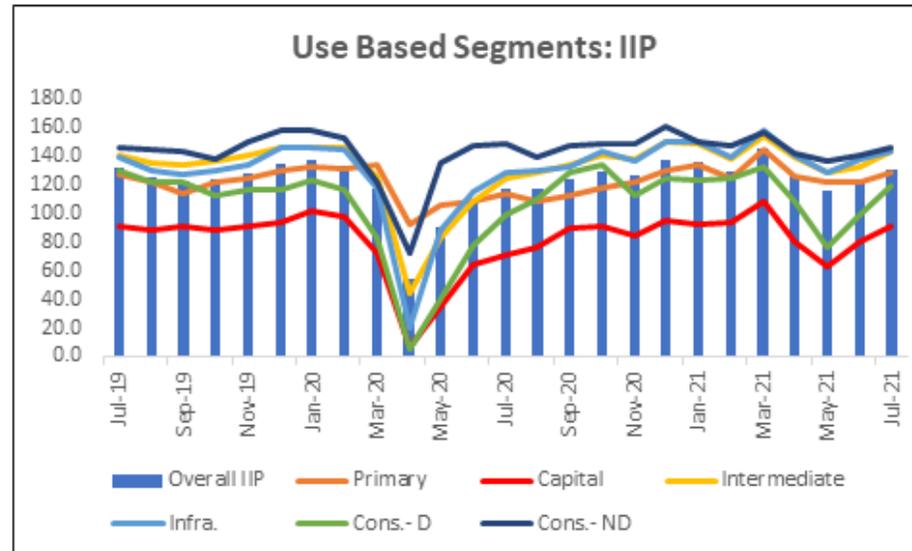


Industrial output continues to regain momentum



- IIP expanded by 11.5% YoY in Jul-21 as unlock measures lead to further normalization, thereby helping industrial output to recoup its lost momentum.
- Sequentially, IIP print grew for the second consecutive month by 7.2% in Jul-21 from 5.7% in Jun-21.
- The improvement is in conjunction with a pick-up seen in high frequency indicators such as exports, E-way bills, PMI manufacturing and auto production for the month of July.
- The uptick driven by Manufacturing and Electricity that had a solid sequential growth of 8.2% & 9.2% respectively.
- Within manufacturing, 20 of 23 sub-industries posted a positive annualized growth.

Industrial activity set to surpass pre-pandemic levels in near term



- On the user-based side, broad-based expansion was recorded with capital goods followed by consumer durables registering a double digit growth.
- However, consumer non-durables saw a slight contraction of 1.8% YoY (3.8%QoQ) possibly due to inventory overhang and a continuing weakness in rural demand.
- While the IIP numbers look much stronger, the overall index is still 0.3% lower than the pre-pandemic levels in Jul-19.
- With continuing recovery in high frequency indicators, we expect sequential growth to continue although to a lower extent with declining base effect.
- IIP set to move up well over the pre-pandemic levels in the next few months.