

Index of Industrial Production: October FY14

Overview

The Central Statistical Office (CSO) released the data for industrial production for the seven months of the fiscal FY14. **Index of Industrial Production (IIP) for the month of October 2013 came at the same level as CARE’s own estimate of -1.8% as against a growth of 8.4% in October 2012. Negative growth is mainly on account of weak performance by the manufacturing and mining sectors.**

Cumulative growth in April – October FY14 stands at 0%, as against a growth of 1.2% in the corresponding period of the previous year. This indicates industrial stagnation.

Cumulative Picture: (April – October FY14 over April – October FY13)

- Mining continues to register negative growth of -2.7% in April – October FY14, as against -1.0% during the same period last year
- Growth in manufacturing stood at negative 0.3% in April – October FY14 when compared with a growth of 1.1% in the same period last year.
 - *Eleven industries* registered a negative growth in April – October FY14 which included Radio, TV and communication equipment (-22.3%), Furniture manufacturing (-16.4%), Office accounting & computing machinery (-15.9%), Machinery and equipment (-9.4%), Fabricated metal products except machinery & equipment (-7.2%), Motor vehicles, trailers & semi – trailers (-7.2%) among others.
 - Positive growth was registered by *eleven industries* which included Wearing apparels, dressing & dyeing of fur (34.6%), Electrical machinery & apparatus (27.8%), Chemical & chemical products (8.6%), Coke, refined petroleum products & nuclear fuel (7.7%), Luggage, handbags, saddler, harness & footwear, tanning and dressing of leather products (7.0%) among others.
 - The high growth in the ‘wearing apparel, dressing & dying fur’ segment can also be linked to the exports of readymade garments which have been amongst the strong performer on this front.
- Electricity provided some boost, registering a growth of 5.3%.

Table 1: Growth in IIP (%)

%	April – Oct FY13	April – Oct FY14
All Industries	1.2	0.0
Mining and Quarrying	-1.0	-2.7
Manufacturing	1.1	-0.3
Electricity	4.7	5.3

Source: MOSPI

Performance: Industry Based classification (October FY14 over October FY13)

- The manufacturing sector registered a growth of -0.3% in the current month
 - In the manufacturing sector, *10 out of 22 industries* have registered negative growth during the month of October 2013.
 - The industry group ‘Furniture, manufacturing’ has shown the highest negative growth of 28.9%, followed by ‘Office, accounting & computing machinery’ growing by -27.2% and ‘Radio, TV and communication equipment & apparatus’ growing by -23.0%.
 - The industry group ‘Electrical machinery & apparatus’ has shown highest growth of 34.2%, followed by ‘Other transport equipment’ growing by 14.7%, and ‘Medical, precision & optical instruments, watches and clocks’ by 9.3%.

Performance: Used Based Classification
Table 2: Use Based Classification

%	Apr – Oct FY13	Apr – Oct FY14
Basic Goods	2.9	0.7
Capital Goods	-11.6	-0.2
Intermediate Goods	2.3	2.5
Consumer Goods	4.2	-1.8

Source: MOSPI

- As per the Use-based classification, capital goods registered a negative growth of 0.2% in April – October FY14 (-11.6%)
 - However, electrical machinery has registered high growth of 27.8%
- Basic goods grew by 0.7% in April – October FY14 (2.9%)
- Intermediate goods increased to 2.5% in April - October FY14 as against 2.3% in April – October FY13
- Consumer durable and consumer non-durable goods have witnessed growth of -11.2% and 6.7% respectively, with the overall growth in Consumer goods being -1.8% for April – October FY14. The higher growth in non-durable goods may not be interpreted as being a turnaround as it includes mainly goods with limited price elasticity. ***The durable segment was expected to provide a trigger this time round as an onset of festive season, which has not materialized.***

Core Industries Performance

Core industries that have a weight of 38% in the total IIP are representative of what is happening in the infrastructure space. Growth during the month of August was mixed, with positive growth seen in sectors such as fertilizers, steel, cement and electricity while negative growth seen in coal, crude oil, natural gas and petro refinery.

Table 3: Core Industries - growth (%)

(%)	Oct 2012	Oct 2013	Apr - Oct FY13	Apr – Oct FY14
Core Industries	7.8	-0.6	6.8	2.6
Coal	11.6	-3.9	9.7	1.3
Crude Oil	-0.4	-0.8	-0.7	-1.2
Natural gas	-14.9	-13.6	-12.8	-16.1
Petro Refinery	46.3	-4.8	29.7	3.7
Fertilizers	2.0	4.1	-4.5	2.7
Steel	-4.7	3.5	1.4	4.4
Cement	6.8	1.0	8.8	4.0
Electricity	5.6	1.3	4.9	4.8

Source: MOSPI

Conclusion

Negative growth of 1.8% comes as a disappointment after a 2% growth in the previous month. Negative growth of consumer goods is indicative of no turn around in the consumer spending. Basic goods also registered a negative growth in month of October, reflecting on muted infrastructure activities. The government hopes of an economic recovery are reliant on higher rural consumer spending after a strong monsoon raised farm output and a rebound in merchandise exports.

A revival in consumer demand, which was expected from September onwards as it coincides with the harvest cum festival season hasn't happened yet. It does appear that households have not started spending and while there is still hope that they would in November, there is a cloud of uncertainty. With demand for gold coming down in October and November (based on trade data), it can be expected that consumer spending would increase, notwithstanding erosion of spending power on account of higher food inflation. The months of November and December will hold the clue to prospects of a recovery in this sector.

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