

Industrial Output: August 2015

Industrial output registered a higher than expected growth for the month of August'15 at 6.4% as against a near zero growth (0.5%) in the corresponding month last year. A significant positive pick up of 6.9% against a contraction of 1.1% last year in the manufacturing segment has been the major contributor to the industrial output. Simultaneously, a relatively higher output growth in the mining segment too over the previous year is reflected in the impressive growth recorded for August'15.

The table below depicts the industrial production in brief while comparing the same with FY15 figures.

Cumulative Picture: (April –August FY16 over April – August FY15)

At the cumulative level, industrial output expanded by 4.1% during April-Aug'15 relatively higher as against 3.0%. Thus, industrial activity indicates an improvement compared to the year ago levels.

Table 1: Growth in IIP (%)

%	April –August FY15	April – August FY16
All Industries	3.0	4.1
Mining and Quarrying	2.0	1.2
Manufacturing	2.0	4.6
Electricity	11.7	3.2

Source: MOSPI

On the cumulative basis, the performance across the various sectors is given below:

- Mining sector suggests a pick-up in the activity during the month of August'15 registering growth of 3.8% against 1.2% last year while cumulative growth stands lower at 1.2% compared to 2% in the corresponding period last year.
- Manufacturing segment has witnessed a considerable pick up during the period April-Aug'15 and is very encouraging at 4.6% vis-a-vis 2% last year and 6.9% for the month of August'15.
 - Out of the 22 industries 15 industries recorded a positive cumulative growth.
 - The 'furniture' (46.6%) industry recorded the highest cumulative growth rate, followed by wearing apparel, dressing and dyeing of 'fur' (18.3% each), and electrical machinery and apparatus (11.9%).
 - Remaining 7 industries were the negative performers. The 'Radio, TV & communication equipment' (-14.5%), 'Office accounting & computing machinery (-12%) and 'tobacco products' (-7.2%) were the worst performers in April-Aug'15 over Apr-Aug'14.

Performance: Used Based Classification

Table 2: Use Based Classification

%	Apr –August FY15	Apr – August FY16
Basic Goods	8.5	4.5
Capital Goods	4.8	7.4
Intermediate Goods	2.3	1.8
Consumer Goods	-4.3	3.0
<i>Of which</i>		
Consumer Durables	-12.8	7.7
Consumer Non- Durables	1.9	0.1

Source: MOSPI

A use-based analysis (Table 2) provides further clarity in reading the industrial growth data-

- The growth in basic goods output has been lower at 4.5% as compared to 8.5% last year for the cumulative period (Apr- Aug). Also, the month- on-month growth is recorded lower at 3.4% against 9% registered last year.
- The growth in capital goods as well as consumer goods has been highly volatile during the past few months.
 - Growth in capital goods on a cumulative basis suggests a growth of 7.4% against 4.8% last year while during the month of Aug'15 it recorded a significant growth of 21.8% against a contraction of 10% in the corresponding last year.
 - Similarly, growth in consumer goods too remains to be very volatile. The positive of 3% is mainly due to the negative base effect. The sector witnessed a positive growth mainly owing to the pick up the in consumer durables during the month at 17% against -15% last year.

CARE's view

- The significant pick up in the manufacturing segment though indicates a revival in the activity, the growth in capital good and consumer goods remains to be highly volatile.
- Particularly, the consumer goods output may register a significant growth for the month of October following the harvesting and the festive season. However, the same is likely to dip again in the subsequent months from December onwards.
- Hence, one needs to closely track the output on a cumulative basis. **Also, if the similar trend of high growth in output continues, one can expect the industrial output growth to be at around 5% level in FY16.**

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