

Industrial Output: July 2015

Overview

Industrial output recorded 4.2% growth for the month of July '15 as against our own forecast of 2.7%. The relatively impressive growth in industrial output of 4.2% for July'15 can be said due to low base effect given that the growth was only 0.9 % in July'14 as well as some signs of infra activity taking place.

The industrial activity picture indicates a mixed picture given that the core sector data revealed growth of just 1.1% in this month. While the 'Mining' (0.1% in July'14 and 1.35 in July'15) and 'Manufacturing' (-0.3% in July'14 and 4.75 in July15) segments show some improvement over last year, output growth was lower than year ago level in case of 'Electricity' (11.7% in July'14 and 3.5% in July'15).

The cumulative growth during the period Apr'15- July'15 was registered at 3.5% marginally lower than 3.6% over the corresponding period in FY15.

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

Table 1: Growth in IIP (%)

%	April –July FY15	April – July FY16
All Industries	3.6	3.5
Mining and Quarrying	2.3	0.6
Manufacturing	2.8	4.0
Electricity	11.4	2.6

Source: MOSPI

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

- Cumulative growth for 'mining' and 'electricity' was lower at 0.6% and 2.6% respectively for period starting FY16.
- Cumulative growth of the 'manufacturing' sector registered a growth of 4% in period April-July FY16 higher than the cumulative growth of 2.8% in the same period last fiscal year.
- The growth in the Manufacturing segment for the period April-July FY16 was at 4.0% as against the growth of 2.85 in the corresponding months in FY15.
 - Out of the 22 industries 12 industries recorded a positive cumulative growth.
 - The 'furniture' (69.3%) industry recorded the highest cumulative growth rate, followed by wearing apparel, dressing and dyeing of 'fur' (21.9% each), and electrical machinery and apparatus (20.9%).
 - Remaining 8 industries were the negative performers. The 'office, accounting & computing machinery' (-14.8%), 'food products and beverages'(-12.1%) and 'publishing, printing and reproduction of recorded media'(-9.5%) were the worst performers in April-Jul'15 over Apr-Jul'14.

Performance: Used Based Classification
Table 2: Use Based Classification

%	Apr –July FY15	Apr – July FY16
Basic Goods	8.3	4.8
Capital Goods	8.7	4.0
Intermediate Goods	3.0	1.5
Consumer Goods	-3.8	2.3
<i>Of which</i>		
<i>Consumer Durables</i>	-12.3	5.8
<i>Consumer Non- Durables</i>	2.3	0.1

Source: MOSPI

- Under the Use Based classification of goods, there was a slowdown in growth across majority of the categories.
 - Cumulative growth rates for Basic goods, capital goods and intermediate goods almost halved from their corresponding growth rates in the same months for FY15.
 - Basic goods had poor year-on-year growth rate as well. The sector grew at the rate of 5.25 in Jul'15 , slower than 75 in Jul'14.
 - However, increased year-on-year growth rate is seen for Capital goods (-3.4% in Jul'14 and 10.6% in Jul'15) which is attributed to base effect from last year.
 - Some pick up in cumulative growth is seen in the case of Consumer goods and consumer durables with growth rates being 2.3% and 5.8% respectively in Apr-Jul FY16.
 - These sectors however, witnessed significant pickup in yearly growth rates rising to 1.3% in Jul' 15 from -5.9% in Jul'14 for Consumer goods, led by consumer durables which recorded steep yearly increase from -20.4% in Ju;'14 to 11.45 in Jul'15.

Outlook

- There is some expectation of a pickup in urban demand as festive season begins from September onwards. However, the weaker than expected monsoon this year has made agricultural output uncertain weighing down demand from the rural sector.
- Infrastructural projects undertaken by the Government should get reflected further in these numbers going ahead.
- Industrial growth would be in the region of 4% for the year, with an upward bias if investment and consumption takes off convincingly after September.

Contact:

Madan Sabnavis
Chief Economist

madan.sabnavis@careratings.com
91-022-67543489

Nitika Agarwal
Associate Economist

nitika.agarwal@careratings.com
91-022-61443515

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