

IIP takes a break

CRISIL First Cut | May 2018

IIP growth slowed down on year end

Growth in the index of industrial production (IIP) slowed to 4.4% on-year in March 2018, after having grown over 7% plus average, in the previous four months. Core sectors have been consistently losing steam. Growth in the economy's eight core sectors, which make up about 40% of total industrial production, slowed to 4.1% in March, from 5.3% in February and 6.1% in January. Growth in the non-core sectors too slipped during the month. Separately, trade data reported a slowdown in non-oil exports in March. That said, an unfavorable base effect was also behind the slowdown in IIP growth in March. Overall, IIP growth for fiscal 2018 as a whole was stagnant at 4.4% (same as in fiscal 2017). While manufacturing sector displayed some improvement (growing by 4.4% over 3.3% in fiscal 2017), the overall stagnancy was on account of a subdued performance of the electricity and mining sectors.

Data readings

- Industrial activity lost some steam, after having turned in a steady performance in past few months. IIP growth was down to 4.4% in March, from an average 7.6% in the previous four months – the best performance phase of IIP in last fiscal. The slowdown in IIP was in tandem with a slower manufacturing (the largest contributor to IIP with 77.6% weight) sector growth, which fell sharply to 4.4%, from 8.5% in February. On the contrary, mining and electricity sectors – which had been slowing down in previous months – displayed an improvement, growing by 2.8% and 5.9% respectively.
- Within manufacturing, only 11 out of 23 industry groups showed positive growth on an annual basis. Sectors which displayed high positive growth were, 'furniture', growing by 41.5%, followed by 'food products', which was up 20.6%, and 'motor vehicles, trailers and semi-trailers', which clocked a growth rate of 17.2%. Sectors that displayed high negative growth were, 'other manufacturing' (-30.7%), followed by 'tobacco products' (-20.6%) and 'wearing apparel' (-18.6%). From the end-use perspective, growth in both the industrial and investment-oriented manufacturing sectors and the consumer-oriented sectors (accounting for 37% of the manufacturing sector IIP) slowed down. While the former saw growth declining to 1.6% from 4.5%, in the latter slowed to 2.0% from 2.5%.
- According to the use-based classification, capital goods sector was once again in red, growing by -1.8%. Infrastructure and construction goods sector displayed the highest growth (8.8%) amongst all user categories, but was lower than previous month's 12.6%. The only segment which saw its growth improving in March was consumer non-durable goods (10.9% from 7.3%).

IIP: Performers and laggards

% (y-o-y)	Weight %	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Q4 FY17	Q4 FY18
General	100.0	4.8	4.1	1.8	8.5	7.3	7.4	7.0	4.4	3.0	6.2
Mining	14.4	9.3	7.6	-0.2	1.4	1.2	0.2	-0.4	2.8	7.8	0.9
Manufacturing	77.6	3.8	3.8	2.0	10.4	8.7	8.6	8.5	4.4	2.1	7.2
Electricity	8.0	8.3	3.4	3.2	3.9	4.4	7.6	4.5	5.9	4.2	6.0
Use-based classification											
Primary	34.1	7.1	6.6	2.4	3.3	3.8	5.8	3.7	2.9	3.5	4.1
Capital	17.2	7.3	8.7	3.5	5.7	13.2	12.8	19.5	-1.8	2.1	10.2
Intermediates	8.2	-0.5	2.1	0.2	6.5	7.5	4.9	3.2	2.1	2.9	3.4
Infrastructure & Construction	12.3	2.7	0.5	5.8	13.7	6.5	7.0	12.6	8.8	0.6	9.4
Consumer Durables	12.8	4.3	-4.1	-9.0	3.1	2.1	7.8	7.5	2.9	-2.4	6.0
Consumer non-durables	15.3	7.2	10.5	8.2	23.7	16.8	11.0	7.3	10.9	9.2	9.8
		Growth slowing		Growth rising							
		Contraction									

Source: CSO, CRISIL Research

Analytical contacts

Dharmakirti Joshi

Chief Economist, CRISIL Ltd.
dharmakirti.joshi@crisil.com

Adhish Verma

Economist, CRISIL Ltd.
adhish.verma@crisil.com

Media Contacts

Saman Khan

Media Relations
CRISIL Limited
D: +91 22 3342 3895
M: +91 95940 60612
B: +91 22 3342 3000
saman.khan@crisil.com

Hiral Jani Vasani

Media Relations
CRISIL Limited
D: +91 22 3342 5916
M: +91 98200 39681
B: +91 22 3342 3000
hiral.vasani@crisil.com

About CRISIL Limited

CRISIL is an agile and innovative, global analytics company driven by its mission of making markets function better. We are India's foremost provider of ratings, data, research, analytics and solutions. A strong track record of growth, culture of innovation and global footprint sets us apart. We have delivered independent opinions, actionable insights, and efficient solutions to over 100,000 customers.

We are majority owned by S&P Global Inc., a leading provider of transparent and independent ratings, benchmarks, analytics and data to the capital and commodity markets worldwide.

About CRISIL Research

CRISIL Research is India's largest independent integrated research house. We provide insights, opinion and analysis on the Indian economy, industry, capital markets and companies. We also conduct training programs to financial sector professionals on a wide array of technical issues. We are India's most credible provider of economy and industry research. Our industry research covers 86 sectors and is known for its rich insights and perspectives. Our analysis is supported by inputs from our large network sources, including industry experts, industry associations and trade channels. We play a key role in India's fixed income markets. We are the largest provider of valuation of fixed income securities to the mutual fund, insurance and banking industries in the country. We are also the sole provider of debt and hybrid indices to India's mutual fund and life insurance industries. We pioneered independent equity research in India, and are today the country's largest independent equity research house. Our defining trait is the ability to convert information and data into expert judgments and forecasts with complete objectivity. We leverage our deep understanding of the macro-economy and our extensive sector coverage to provide unique insights on micro-macro and cross-sectoral linkages. Our talent pool comprises economists, sector experts, company analysts and information management specialists.

CRISIL Privacy Notice

CRISIL respects your privacy. We use your contact information, such as your name, address, and email id, to fulfil your request and service your account and to provide you with additional information from CRISIL and other parts of S&P Global Inc. and its subsidiaries (collectively, the "Company") you may find of interest.

For further information, or to let us know your preferences with respect to receiving marketing materials, please visit <http://www.crisil.com/privacy>. You can view the Company's Customer Privacy at <https://www.spglobal.com/privacy>.

Last updated: April 2016

Disclaimer

CRISIL Research, a division of CRISIL Limited (CRISIL) has taken due care and caution in preparing this Report based on the information obtained by CRISIL from sources which it considers reliable (Data). However, CRISIL does not guarantee the accuracy, adequacy or completeness of the Data / Report and is not responsible for any errors or omissions or for the results obtained from the use of Data / Report. This Report is not a recommendation to invest / disinvest in any company covered in the Report. CRISIL especially states that it has no financial liability whatsoever to the subscribers/ users/ transmitters/ distributors of this Report. CRISIL Research operates independently of, and does not have access to information obtained by CRISIL's Ratings Division / CRISIL Risk and Infrastructure Solutions Limited (CRIS), which may, in their regular operations, obtain information of a confidential nature. The views expressed in this Report are that of CRISIL Research and not of CRISIL's Ratings Division / CRIS. No part of this Report may be published / reproduced in any form without CRISIL's prior written approval.