

Industrial Growth: August 2017

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Owing to increased industrial activities after the GST implementation the industrial output witnessed pick up in the month of August'17.

The industrial output, measured via Index of Industrial Production (IIP) growth, expanded at **4.3% in August'17** as against 4.0% growth in August'16, indicating of an uptick in industrial activity. On the cumulative basis, **IIP grew at 2.2% in FY18 (Apr-Aug)**, lower than 5.9% growth recorded in the comparable period in FY17. CARE had estimated the growth to be at 2.6% for the month.

During the month, the uptick in industrial output has emanated from increased industrial activities in mining and electricity. The manufacturing sector that has highest weight in the IIP growth, grew as well though lower than corresponding month in the previous fiscal. With regard to used based classification, the overall output is increased due to improved output in capital goods and primary goods.

Key Highlights

All sectors recorded positive growth during the month.

- The mining sector grew at 9.4% in August'17 – highest since March'17, compared with a contraction of -4.3% in August'16.
- Manufacturing sector, which grew to a 4 month high level at 3.1%, lower than 5.5% growth in the comparable month in the previous year.
- Within the manufacturing sector, 10 industries recorded positive growth.
- Food products grew by 8% highest since Dec'14.
- Computer and electronics grew by 25% -highest since March'14.
- Pharma and drug grew by 17% while the transport equipment recorded the growth of 11% in the month.
- Machinery and equipment grew by 10.2% in August'17.
- Manufacture of textiles (-2.9%) and apparels (-6.4%) contracted further in August'17, the 4th month in a row.

- Manufacture of chemicals was -2% 5th month of sustained contraction. However, there has been a moderation in the same. It was -6.2% in July'17. Electricity grew by 8.3% in August'17, as against the growth of mere 2.1% in august'16.

Table 1: IIP Growth

%	Weight	Apr'17	May'17	June'17	July'17	August'2017	Apr- August'16	Apr- August'17
All industries	100	3.4	2.8	0.1	1.2	4.3	4.0	2.2
Mining	14.37	3.2	0.2	0.4	4.8	9.4	4.0	3.3
Manufacturing	77.63	3.2	2.6	0.4	0.1	3.1	6.1	1.6
Electricity	7.99	5.4	8.3	2.2	6.5	8.3	5.9	6.2

Source: MOSPI

Use Based Classification

The user based analysis depicted below further reveals the segment wise industrial performance.

Table 2: Use Based Classification

%	Weight	Apr'17	May'17	June'17	July'17	Aug'2017	Apr- Aug'16	Apr- Aug'17
Primary Goods	34.05	3.1	3.7	-0.2	2.3	7.1	5.6	3.2
Capital Goods	8.22	-3.5	-1.4	-6.8	-1	5.4	9.5	-1.9
Intermediate Goods	17.22	4.4	0.4	-0.6	-1.8	-0.2	3.4	0.4
Infrastructure /Construction Goods	12.34	5.2	0.2	0.6	3.7	2.5	4.1	2.0
Consumer Durables	12.84	-1.3	0.8	-2.1	-1.3	1.6	6.2	-0.9
Consumer Non-Durables	15.33	8.8	9.5	4.9	3.4	6.9	9.6	6.8

Source: MOSPI

- Primary goods grew by 7.1% in August'17, a 7 month high.
- Similarly, capital goods rose to a 8 month high of 5.4% in the month aided in part by a favorable base effect (0.53% in August'16). Capital goods had registered negative growth in the last 4 months.
- The intermediate goods saw a contraction by -0.2%, though lower compared to previous months.
- Infrastructure goods grew at 2.5%, lower than 6.5% growth in August'16.
- Consumer non-durables grew at 7% while the consumer durables grew at 1.6% - the 8 month high in August'17.

CARE's View:

Industrial output is likely to improve further in the coming months driven by festive demand and restocking/normalization of GST related disruption. ***We expect the industrial output to grow at around 4-5% in the ongoing fiscal year.***

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