

Industrial Growth: January 2017

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The fluctuating trend of Index of Industrial Production (IIP) growth continued in January'17. For the month, **the IIP growth is recorded at 2.7%, reversing the negative growth rate of -0.4% a month ago** and -1.6% in a comparable month last fiscal year i.e., January'16. The markets had expected the median IIP growth of 0.75. **CARE had estimated 4.2% growth in industrial output for Jan'17 which is closer to the growth for the month.** The positive growth is aided positive growth in manufacturing sector in Jan'17 and the favorable base effect.

On the cumulative basis, during FY17 so far, the industrial output has grown at the rate of 0.6% as against 2.7% growth in FY16 (Apr-Jan).

The overall industrial growth is contributed by mining and quarrying sector along with manufacturing while the growth in capital goods also led to positive growth number in Jan'17. The cumulative growth however is dragged down by continued contraction in manufacturing and capital goods in FY17 so far.

Table 1: Cumulative Picture (April –Jan FY17 over April-Jan FY16)

%	Apr-Jan FY16	Apr-Jan FY17
All industries	2.7	0.6
Mining and Quarrying	2.1	1.4
Manufacturing	2.5	-0.2
Electricity	4.7	5.0

Source: MOSPI

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- In Jan'17, the mining and quarrying sector grew at 5.3% higher than 5.24% growth in Dec'16 and 1.5% in Jan'16. In FY17 so far, the growth has been recorded at 1.4% than 2.1% during April-January FY17.
- In FY17 (Apr-Jan) the manufacturing sector contracted by -0.2% as compared with a growth of 2.5% in corresponding period last year. On the monthly basis, the sector has expanded by 2.3% in Jan'17 as against -2.0% growth in Dec'16.
 - Within the manufacturing sector, 13 out of 22 industries recorded negative growth in the month of January'17.

- On the monthly basis, contraction in industrial output is recorded by industry of office accounting and computing machinery (-16%), food and beverages (-14.8%) and other transport equipment (-13.4%).
- In FY17 so far, on cumulative basis, 12 out of 22 industries recorded negative growth including food and beverages, basic metals, electrical machinery etc.
- Electricity has grown only by 3.9% in Jan'17 as against the growth of 6.28% in Dec'16. For the fiscal year so far, the sector has recorded a growth of 5% compared with 4.7% for the corresponding period last year.

Used Based Classification

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

Table 2: Use Based Classification

%	Apr-Jan FY16	Apr-Jan FY17
Basic goods	3.3	4.4
Capital goods	-0.6	-15.0
Intermediate goods	2.1	2.2
Consumer goods	3.6	0.5
<i>Of which</i>		
<i>Consumer durables</i>	11.6	4.9
<i>Consumer Non-durables</i>	-1.2	-2.0

Source: MOSPI

- Growth in basic goods for the fiscal so far stood at 4.4% in FY17 (Apr-Jan).
- On the cumulative basis, the capital goods indicated contraction by -15.0% than -0.6% in the comparable period last fiscal while in Jan'17, the capital goods have registered substantial growth rate of 10.7% as against -21.6% in Jan'16.
- The consumer goods, those were seen to have majorly affected post-demonetization in the month of Dec'16, are seen to grow at 4.9% in FY17 so far as against 11.6% growth recorded in FY16 (Apr-Jan).
 - Within consumer goods, consumer durables have grown at 4.9% while consumer non-durables have registered the negative growth rate of 2.0% in FY17 (Apr-Jan).

CARE's View:

We expect industrial output growth for FY17 to be 1-2% .

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