

## Industrial Growth: December 2016

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The growth in index for Industrial production for Dec'16 reverted to negative territory following positive growth in the month of Nov'16. The growth in Industrial output for Dec'16 at -0.4% is significantly lower as compared with the 5.7% growth in IIP recorded in Nov'16 which came as a surprise as markets were anticipating negative growth for the month due to demonetization. **However, December data clearly shows the impact of demonetization on industrial output viz the manufacturing sector that has seen contraction in growth.**

CARE had estimated 1.7% growth in industrial output for Dec'16 based on a negative low base number.

Industrial output has grown by 0.3% on a cumulative basis (Apr-Dec FY17), compared with 3.2% of growth in the corresponding period in FY16.

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

%	Apr-Dec FY16	Apr-Dec FY17
All industries	3.2	0.3
Mining and Quarrying	2.3	0.9
Manufacturing	3.2	-0.5
Electricity	4.5	5.1

Source: PIB

**Table 2 : Growth rates for Nov'16 and Dec'16**

%	Nov'16	Dec'16
All industries	5.7	-0.4
Mining and Quarrying	3.75	5.2
Manufacturing	5.47	-2.0
Electricity	8.88	6.3

Source : PIB

- The mining sector growth at 5.2% in Dec'16 was an improvement from the 3.9% growth in the previous month and 2.8% in Dec'15. For the fiscal year so far, growth has been at 0.9% as against 2.3 % growth in April-Jan FY16.
- Manufacturing sector contracted by 0.5% in Apr-Dec FY17 as compared with a growth of 3.2% in corresponding period last year. In Dec'16, manufacturing sector contracted by (-)2% as against 5.5% growth in Nov'16.

- Electricity has grown only by 6.3% in Dec '16 as against the growth of 8.9% in Nov'16. For the fiscal year so far, the sector has recorded a growth of 5.1% compared with 4.5% for the corresponding period last year.

Following table illustrates the growth in Industries since April'16

Month	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16
Food products and beverages	-25.1	-5.5	-0.4	-2.0	-0.3	6.1	-0.5	7.5	-0.4
Tobacco products	-21.6	-4.1	3.4	22.0	7.8	-2.9	5.8	-3.2	-8.8
Textiles	-0.9	6.6	7.7	2.6	-0.5	4.0	-4.0	3.9	-6.6
Apparel	0.7	0.1	6.6	-15.5	-6.7	-5.7	-10.6	0.9	-8.1
Luggage and leather products	-11.7	-7.8	-13.0	-10.7	-2.1	-7.0	-5.2	1.0	-14.4
Wood and wood products	-3.5	-6.4	1.4	-7.6	2.4	0.1	-12.3	11.5	-10.8
Paper and paper products	4.7	6.6	2.8	-0.8	-3.9	-6.2	3.6	0.4	-2.0
Publishing	-11.7	-0.6	0.1	-0.6	0.6	0.7	-1.1	-0.8	-2.3
Coke and petroleum products	17.1	6.2	6.2	12.3	3.3	6.6	18.6	-1.5	3.0
Chemicals and chemical products	0.1	3.5	4.7	5.7	4.9	-0.8	1.7	0.9	-4.6
Rubber and plastics products	0.5	1.9	3.8	4.4	2.3	4.2	3.6	3.9	-4.4
Other non-metallic products	3.4	1.0	5.5	-0.7	2.2	2.7	3.2	-0.7	-9.2
Basic metals	0.1	4.4	4.2	1.0	13.7	11.1	7.6	4.8	11.1
Fabricated metal products	0.3	6.3	8.6	-3.1	1.2	-1.9	-10.8	5.2	-1.4
Machinery and equipment	5.5	14.3	6.7	8.9	5.9	10.3	2.4	13.1	1.4
Office machinery	18.2	19.0	-0.8	-11.6	-4.9	-27.4	-29.0	-5.2	-23.9
Electrical machinery	-55.8	-40.6	-45.6	-59.0	-49.6	-49.7	-58.2	23.2	1.8
Communication equipment	18.6	5.8	15.8	10.9	15.3	10.6	-0.3	32.2	9.8
Medical instruments	11.9	10.0	0.7	-16.8	-5.9	-5.8	-0.2	4.4	-4.6
Motor vehicles	6.5	5.2	8.7	3.6	3.5	3.8	7.8	23.2	-7.4
Other transport equipment	7.6	9.6	8.3	1.0	14.3	12.8	2.9	2.3	-22.9
Furniture; manufacturing	22.5	-9.8	-9.0	-1.7	-23.5	10.4	-2.7	-16.5	-12.9
<b>Manufacturing</b>	<b>-3.6</b>	<b>0.8</b>	<b>1.0</b>	<b>-3.5</b>	<b>-0.3</b>	<b>0.9</b>	<b>-2.4</b>	<b>5.5</b>	<b>-2.0</b>

- 9 out of 22 industries in the manufacturing sector recorded negative growth during Apr-Dec'17. The Electrical machinery and apparatus sector recorded the highest contraction of 44% in in April-Dec FY17.
- Radio, T.V. and communication equipment witnessed a positive growth of 12.4% followed by 7.7% growth in Coke, refined petroleum products and 7.6% in Machinery and equipment during April-Dec'17.
- 17 out of 22 industries have recorded negative growth in Dec'16 compared to the 6 industries in Nov'16.
- The industries which have shown a contraction in growth rates in Dec'16 over Nov'16 have been food products, textiles, Apparel, Wood, chemicals, fabricated metal, machinery, medical instruments, motor vehicles, transport. These sectors clearly reflect the impact of demonetization.

### Used Based Classification

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

%	Apr-Dec FY16	Apr-Dec FY17
<b>Basic goods</b>	3.5	4.3
<b>Capital goods</b>	1.9	-17.3
<b>Intermediate goods</b>	2.0	2.8
<b>Consumer goods</b>	4.0	0.6
<i><b>Of which</b></i>		
<i><b>Consumer durables</b></i>	12.3	5.0
<i><b>Consumer Non-durables</b></i>	-0.9	-2.3

Source: PIB

- The use based classification of industrial output also highlights the impact of demonetization. As expected, the most affected by the demonetization move has been the consumer goods segment. Growth in the same contracted by (-) 6.8% in Dec'16 compared with the 3.2% growth in Dec'15. The decline has been more in case of consumer durables which contracted by (-) 10.3% in Dec'16 compared with 16.6% growth in Dec'15.
- Growth in basic goods for the fiscal so far stood at 4.3% during Apr-Dec'16.
- The contraction in capital goods segment has been high at 17.3% in the fiscal (April-Dec'16).
- On a cumulative basis (Apr-Dec FY17), the consumer goods segment grew at a rate of 0.6% as against 4% of growth in corresponding period last year. The sector was majorly dragged by non-consumer durables segment that contracted by 2.3% in Apr-Dec FY17 as compared to 0.9% contraction in Apr-Dec'FY16.

#### CARE's View:

- Industrial output is likely to be constrained for the coming few months and the situation could improve from April-May'17 onwards as the economy moves towards the pre-demonetization growth trend.
- We expect industrial output growth for FY17 to be 1-2%, down from 3-4% forecast earlier.