

## Industrial Growth: July 2018

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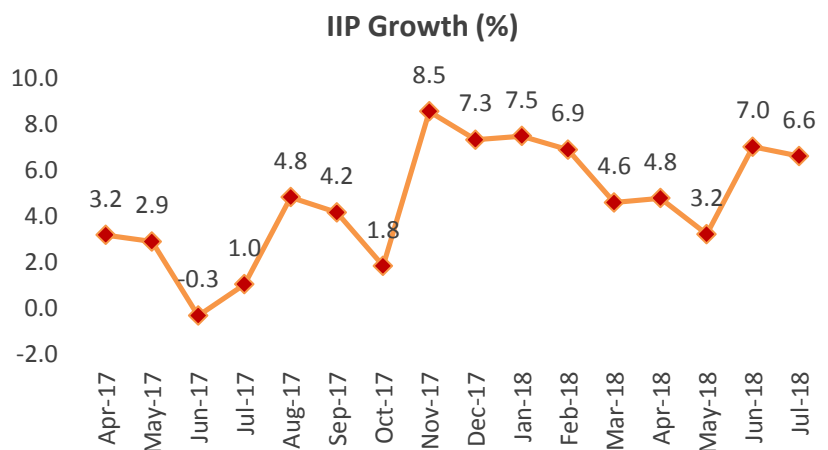
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*For the first four months of fiscal year 2018-19, the industrial production has grown at 5.4% on the cumulative basis, higher compared with 1.7% growth in the comparable period in the previous fiscal year. The base effect has helped to maintain a certain level of buoyancy as last year was typified by the GST effects that depressed production processes especially in SME segment.*

*In July'18, the IIP has grown substantially at 6.6% higher than 1% growth in July'17 however lower compared with 7% growth in June'18.*

CARE Ratings had estimated the growth of 5% for the month of July'18.



Source: MOSPI

During FY19 (Apr-Jul), the growth has been driven by mining and manufacturing sector whereas within the used based classification it was aided by broad based growth across segments barring consumer non-durables. The higher growth can also be ascribed to lower base effect in these months a year ago due to GST related disruptions. Infrastructure and consumer durables have registered highest growth in the past 5 years on cumulative basis.

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## Key Highlights:

### Monthly – July'18

- The growth during month was driven by higher growth in manufacturing and electricity. Consumer durables have rather grown at a highest rate in since October 2015, nearly 3 years.
- Mining sector grew by 3.7% in July'18 lower compared with 4.5% growth in the comparable month in the previous year. This is the lowest growth in the past 4 months.
- Manufacturing sector activities improved substantially as low base effect has also played a role. The sector grew by 7% over the contraction of -0.1% in July'17. It is the highest growth rate since March'18.
- Electricity sector grew by 6.7%, compared with 6.6% growth in the comparable month in FY17.
- Within the used based classification, all segments registered higher growth rates during the month than compared with July'18.
- Primary goods that has highest weight in general IIP grew by 6.9% compared with the contraction of 2.2% in July'17.
- Capital goods (3%), Intermediate goods (1.2%) and consumer durables (14.4%) have grown substantially as against the contraction registered by these segments in July'18.
- In July'18, infrastructure goods have grown at double pace of 8.4% than 4.3% in July'17.
- Consumer non-durables have also grown at higher pace at 5.6% than 4.1% in the comparable month a year ago.

### Cumulative: Apr-July'18

- All sectors registered more than 5% growth that has resulted in higher overall IIP growth.
- Mining sector, index-heavyweight, grew at a 5% as against 2% growth during Apr-Jul'17.
- Manufacturing sector grew by 5.6% compared with 1.2% growth in FY18 (Apr-Jul). The favourable low base effect has pushed up the growth of the sector during this period.
  - Within the manufacturing sector, 11 out of 23 industries recorded higher growth than average manufacturing sector growth of 5.6%
  - Computer, electronic and optical products (33.9%), motor vehicles, trailers and semi-trailers (19.9%), furniture (17.9%), other transport equipment (14.5%) and fabricated metal products (11.2%) registered double digit growth.
  - Basic metals which have highest weight in mfg. grew at a slower pace of 2.9% compared with overall mfg. growth.
  - The highest contraction was witnessed in other manufacturing (-28.3%), tobacco (-9.8%) and rubber & plastic products (-4.1%) in FY18 (Apr-Jul).
- Electricity sector registered growth of 5.3% on the cumulative basis, lower than 5.6% growth in comparable period in the previous year.
- Within the used based classification, all segments barring consumer non-durables grew at a higher rate than the growth in FY18 (Apr-Jul). The base effect continued to favour capital goods and consumer durables.
  - Primary goods, which have highest weight in IIP grew at 6.1%, higher than 2.2% growth in FY18 (Apr-Jul).
  - Capital goods that have lowest weight in IIP grew by 7.4% compared with a contraction by -3.5% in the comparable months in the previous year. Low base effect has provided an impetus here. While electric machinery has done well, non-electrical continues to trail.
  - Infrastructure/construction goods grew at 8.1%, higher than 2.4% growth in FY18 (Apr-Jul) and highest in the past 5 years.

- Consumer durables grew at a highest rate in past 5 years at 9.4% as against the contraction of -1.5% in FY18 (Apr-Jul).
- Intermediate goods grew at 1% than nil growth during the corresponding period in the previous year.
- The growth in consumer non-durables came in lower at 2.7% than 6.8% in FY18 (Apr-Jul).

**Table 1: Cumulative IIP Growth – Sectoral and Used-Based**

%	Below IIP (5.4%)		Above IIP (5.4%)		
	Weight	% growth	Weight	% growth	
Electricity	7.99	5.0	Manufacturing	77.63	5.6
Mining	14.37	5.3			
Used based Classification					
Intermediate Goods	17.22	1.0	Primary Goods	34.05	6.1
Consumer Non-Durables	15.33	2.7	Capital Goods	8.22	7.4
			Infrastructure /Construction Goods	12.34	8.1
			Consumer Durables	12.84	9.4

Source: MOSPI

**Table 2: Mfg growth industry wise-Apr-Jul'18**

Industry	Below Mfg growth		Industry	Above Mfg. growth	
	Weight	%		Weight	%
Tobacco products	0.8	-9.8	Food products	5.3	9.0
Textiles	3.3	1.3	Beverages	1.0	9.1
Wearing apparel	1.3	-2.8	Wood and products of wood	0.2	5.8
Leather and related products	0.5	1.2	Coke and refined petroleum products	11.8	7.1
Paper and paper products	0.9	-1.9	Other non-metallic mineral products	4.1	9.9
Printing and reproduction of recorded media	0.7	-4.0	Fabricated metal products	2.7	11.2
Chemicals and chemical products	7.9	4.9	Computer, electronic and optical products	1.6	33.9
Pharmaceuticals	5.0	1.1	Electrical equipment	3.0	7.1
Rubber and plastics products	2.4	-4.1	Motor vehicles, trailers and semi-trailers	4.9	19.9
Basic metals	12.8	2.9	Other transport equipment	1.8	14.5
Machinery and equipment n.e.c.	4.8	2.6	Furniture	0.1	17.9
Other manufacturing	0.9	-28.3			

Source: MOSPI

**CARE Ratings' View:**

Going ahead, the upcoming festival season may push up the production however, the favorable base effect may fade in the coming months. **We expect the industrial production to grow at around 5-6% for the full year 2018-19.**

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