INDIA : INDUSTRIAL GROWTH (IIP)

October 2013

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finexcel.blogspot.in

HIGHLIGHTS

October 2012 Vs October 2013:

None of the sectors grow more than the growth rates in Oct'12

Industrial Production		
Oct'12 8.4%	▼	Oct'13 -1.8%

Industry-wise:

Industrial Production - Components								
Manufacturing (75.5%)			Mining (14.2%)			Electricity (10.3%)		
Oct'12 9.9%	▼	Oct'13 -2.0%	Oct'12 -0.2%	▼	Oct'13 -3.5%	Oct'12 5.5%	▼	Oct'13 1.3%

Use-based:

Basic goods			Capital goods			Intermediate goods		
Oct'12 4.3%	▼	Oct'13 -1.6%	Oct'12 7.0%	▼	Oct'13 2.3%	Oct'12 9.6%	▼	Oct'13 1.8%
Consumer goods			**Consumer durables**			**Consumer non-durables**		
Oct'12 13.8%	▼	Oct'13 -5.1%	Oct'12 16.7%	▼	Oct'13 -12.0%	Oct'12 11.2%	▼	Oct'13 1.8%

HIGHLIGHTS

Apr-Oct 2012 Vs Apr-Oct 2013:

Industrial output is stagnant over April to October 2013 period compared to the same period last year.

Industrial Production	
Apr-Oct'12	Apr-Oct'13
1.2%	0.0%

Industry-wise:

Industrial Production - Components					
Manufacturing (75.5%)		Mining (14.2%)		Electricity (10.3%)	
Apr-Oct'12	Apr-Oct'13	Apr-Oct'12	Apr-Oct'13	Apr-Oct'12	Apr-Oct'13
1.1%	-0.3%	-1.0%	-2.7%	4.7%	5.3%

Use-based:

Basic goods		Capital goods		Intermediate goods	
Apr-Oct'12	Apr-Oct'13	Apr-Oct'12	Apr-Oct'13	Apr-Oct'12	Apr-Oct'13
2.9%	0.7%	-11.6%	-0.2%	2.3%	2.5%
Consumer goods		**Consumer durables**		**Consumer non-durables**	
Apr-Oct'12	Apr-Oct'13	Apr-Oct'12	Apr-Oct'13	Apr-Oct'12	Apr-Oct'13
4.2%	-1.8%	5.7%	-11.2%	2.8%	6.7%

HIGHLIGHTS

September 2013 Vs October 2013:

October growth rates came below the previous month's growth rates

Industrial Production		
Sep'13 2.0%	▼	Oct'13 -1.8%

Industry-wise:

Industrial Production - Components								
Manufacturing (75.5%)			Mining (14.2%)			Electricity (10.3%)		
Sep'13 0.6%	▼	Oct'13 -2.0%	Sep'13 3.3%	▼	Oct'13 -3.5%	Sep'13 12.9%	▼	Oct'13 1.3%

Use-based:

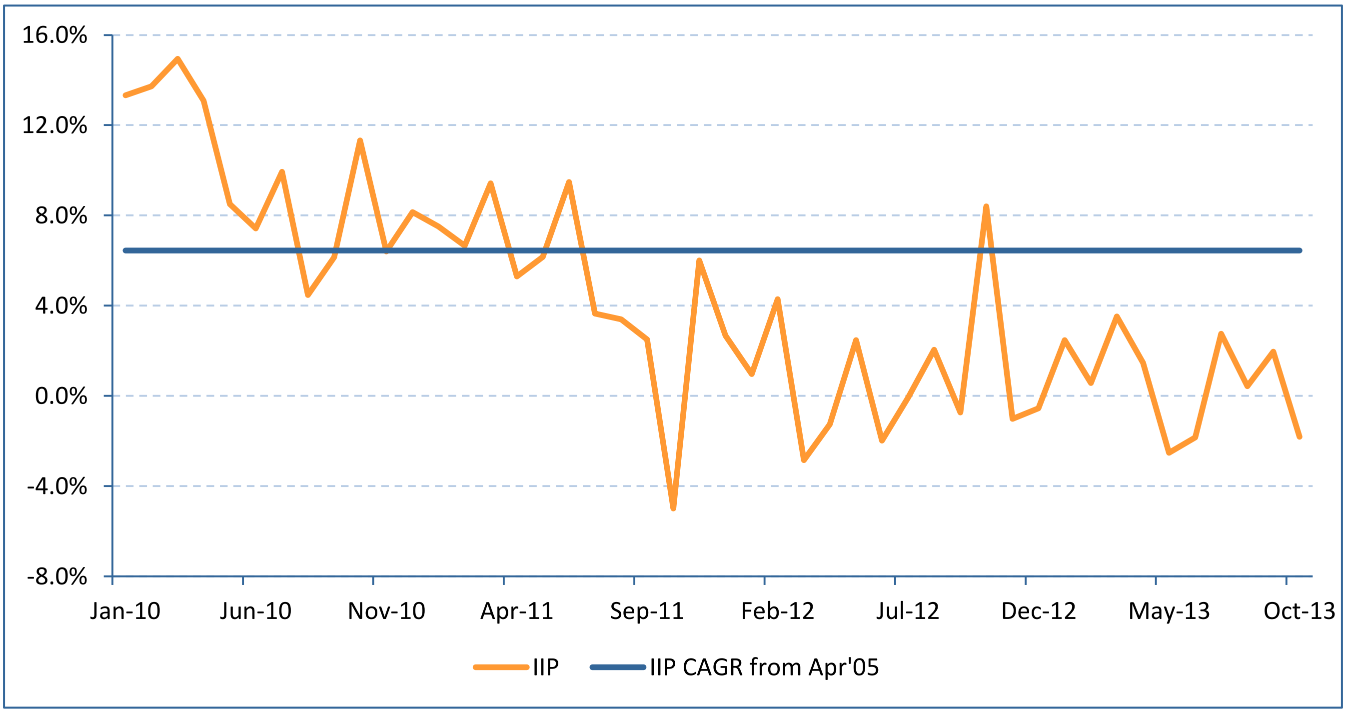
Basic goods			Capital goods			Intermediate goods		
Sep'13 2.2%	▼	Oct'13 -0.6%	Sep'13 -0.9%	▼	Oct'13 0.3%	Sep'13 0.6%	▼	Oct'13 0.2%
Consumer goods			**Consumer durables**			**Consumer non-durables**		
Sep'13 0.2%	▼	Oct'13 -1.7%	Sep'13 -1.7%	▼	Oct'13 -2.0%	Sep'13 1.9%	▼	Oct'13 0.3%

SUMMARY

Industrial output contracts 1.8% Y-o-Y:

Industrial output for the month of October 2013 contracted by 1.8% over the past year, compared to a growth of 8.4% in the same month last year and 2% in September 2013. Industrial output is stagnant over April to October 2013 compared to the same period last year.

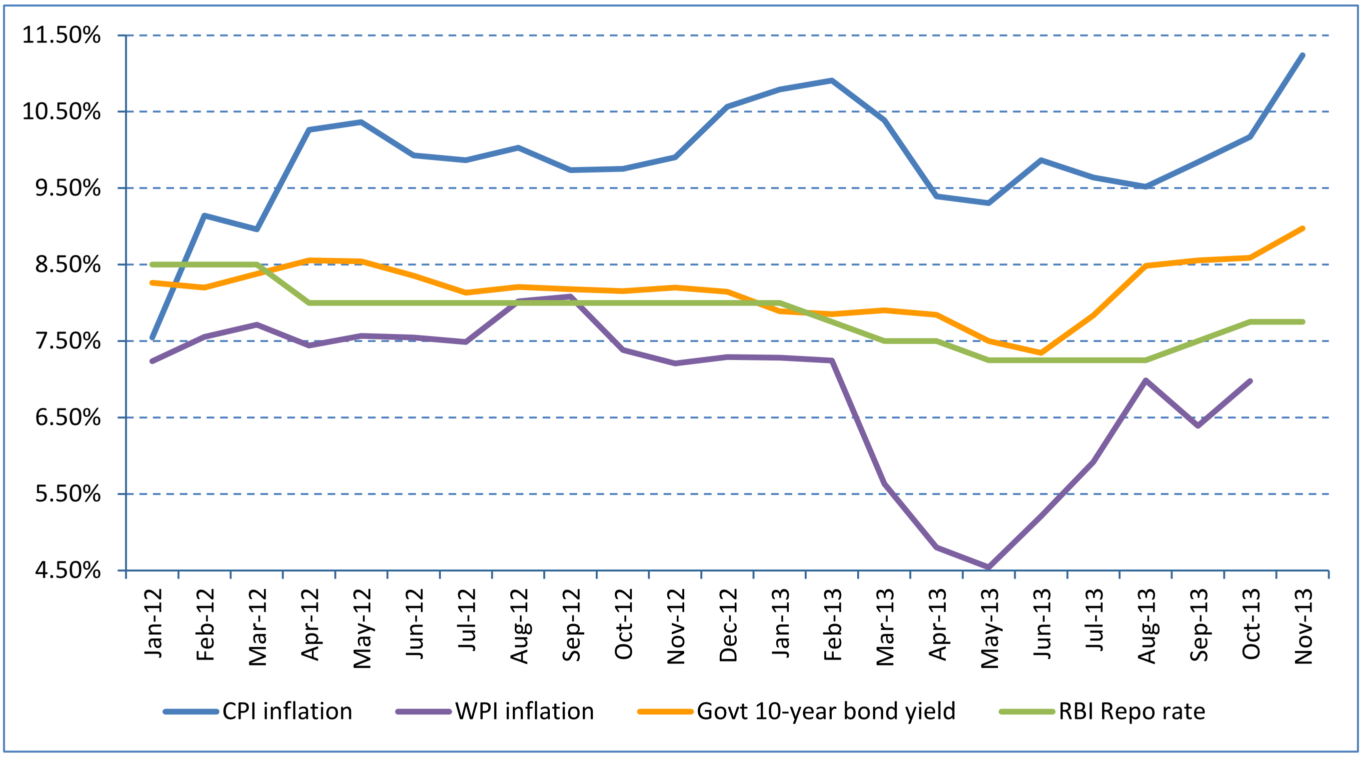
Industrial output growth : Way below long-term growth rates



Source : CSO, Finexcel

- Among the industries, manufacturing contracted by 2% during Oct'13, contributing 1.8% to the IIP contraction. Mining contracted by 3.5% (contribution to IIP : negative 0.4%) and Electricity generation grew by 1.3% (contribution to IIP : 0.1%).
- As per the use-based classification, Basic goods production contracted by 1.6% (contribution to IIP : negative 0.6%) and Consumer durables contracted by 12% (contribution to IIP: negative 2%), while Capital goods production grew by 2.3% (contribution to IIP: 0.3%), Intermediate goods grew by 1.8% (contribution to IIP: 0.2%) and Consumer non-durables grew by 1.8% (contribution to IIP: 0.3%).
- ***HSBC India Manufacturing PMI*** rose to 51.3 in Nov'13 compared to 49.6 in Oct'13. This is the first time in 7 months, that output has expanded, and this is a slight positive. The output growth was helped by an increase in the domestic orders. (*Source : HSBC India Manufacturing PMI)*

Higher interest rates continue to hurt industry; RBI unlikely to ease policy rates due persistently high inflation



Source : CSO, Finexcel, Investing.com

INDUSTRY-WISE

Industrial output contracts 1.8% Y-o-Y:

Industrial output for the month of October 2013 contracted by 1.8% over the past year, compared to a growth of 8.4% in the same month last year and 2% in September 2013. Core Industries contract 0.6% compared to 7.7% a year ago.

Oct'12 Vs. Oct'13:

Industrial Production	
Oct'12	Oct'13
8.4%	-1.8%

Industrial Production - Components					
Manufacturing (75.5%)		Mining (14.2%)		Electricity (10.3%)	
Oct'12	Oct'13	Oct'12	Oct'13	Oct'12	Oct'13
9.9%	-2.0%	-0.2%	-3.5%	5.5%	1.3%

Core Industries	
Oct'12	Oct'13
7.7%	-0.6%

Core Industries					
Coal		Crude Oil		Natural Gas	
Oct'12	Oct'13	Oct'12	Oct'13	Oct'12	Oct'13
11.6%	-3.9%	-0.4%	-0.7%	-14.9%	-13.6%
Refinery Products		Fertilisers		Steel	
Oct'12	Oct'13	Oct'12	Oct'13	Oct'12	Oct'13
46.4%	-4.8%	2.0%	4.1%	-4.7%	3.5%

Cement		Electricity	
Oct'12	Oct'13	Oct'12	Oct'13
6.8%	1.0%	5.6%	1.3%

Apr-Oct'12 Vs. Apr-Oct'13:

No growth in Industrial production over the first seven month of the current financial year, compared to the same period last year

Industrial Production	Apr-Oct'12	Apr-Oct'13
Industrial Production	1.2%	0.0%

Industrial Production - Components

Component	Apr-Oct'12	Apr-Oct'13
Manufacturing (75.5%)	1.1%	-0.3%
Mining (14.2%)	-1.0%	-2.7%
Electricity (10.3%)	4.7%	5.3%

Core Industries	Apr-Oct'12	Apr-Oct'13
Core Industries	6.8%	2.6%

Industrial Production - Components

Component	Apr-Oct'12	Apr-Oct'13
Coal	9.7%	1.3%
Crude Oil	-0.7%	-1.2%
Natural Gas	-12.8%	-16.1%
Refinery Products	29.7%	3.7%
Fertilisers	-4.5%	2.7%
Steel	1.4%	4.4%
Cement	8.8%	4.0%
Electricity	4.9%	4.8%

Sep'13 Vs. Oct'13:

Industrial Production		
Sep'13 2.0%	▼	Oct'13 -1.8%

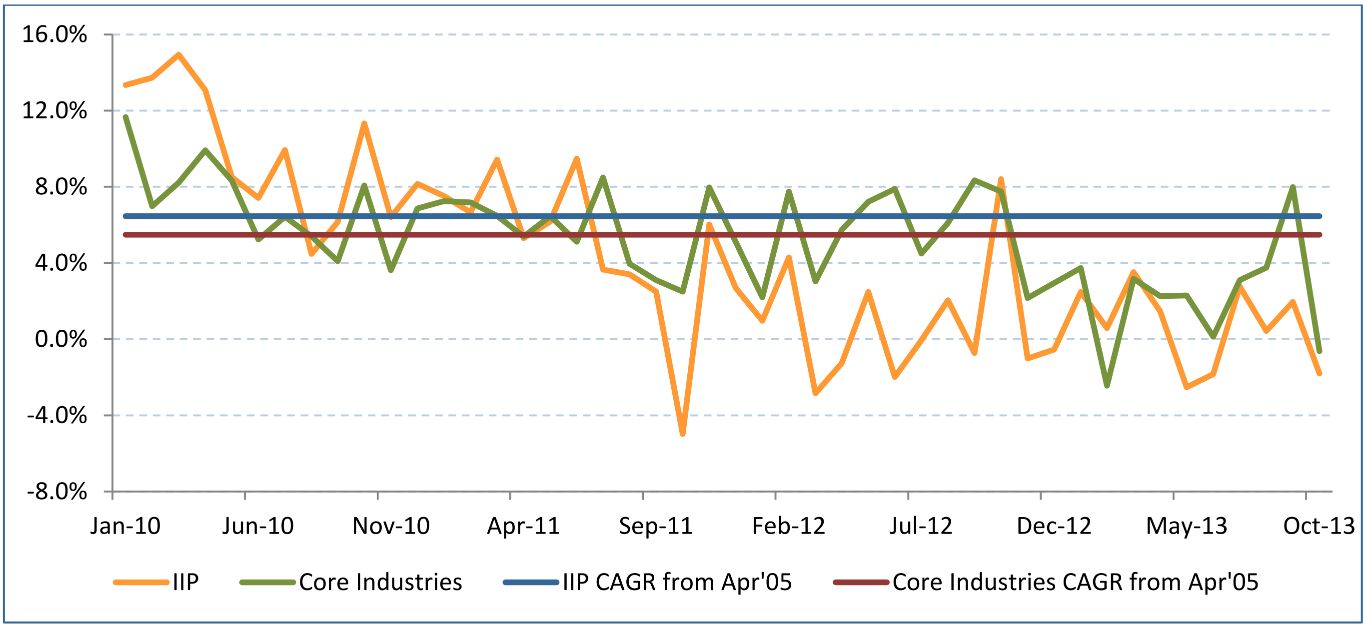
Industrial Production - Components								
Manufacturing (75.5%)			Mining (14.2%)			Electricity (10.3%)		
Sep'13 0.6%	▼	Oct'13 -2.0%	Sep'13 3.3%	▼	Oct'13 -3.5%	Sep'13 12.9%	▼	Oct'13 1.3%

Core Industries		
Sep'13 8.0%	▼	Oct'13 -0.6%

Core Industries								
Coal			Crude Oil			Natural Gas		
Sep'13 12.5%	▼	Oct'13 -3.9%	Sep'13 0.6%	▼	Oct'13 -0.7%	Sep'13 -14.1%	▲	Oct'13 -13.6%
Refinery Products			Fertilisers			Steel		
Sep'13 8.0%	▼	Oct'13 -4.8%	Sep'13 5.3%	▼	Oct'13 4.1%	Sep'13 6.6%	▼	Oct'13 3.5%

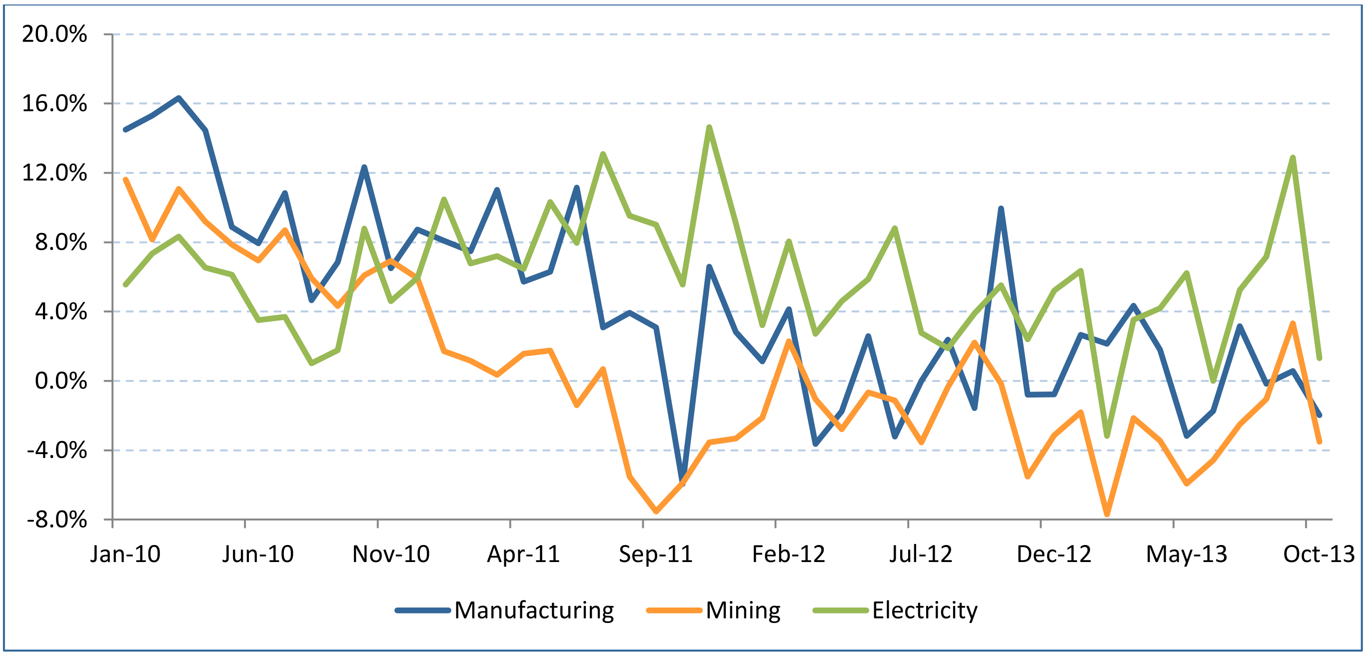
Cement			Electricity		
Sep'13 11.5%	▼	Oct'13 1.0%	Sep'13 12.6%	▼	Oct'13 1.3%

Industrial output & Core sectors : No green shoots yet



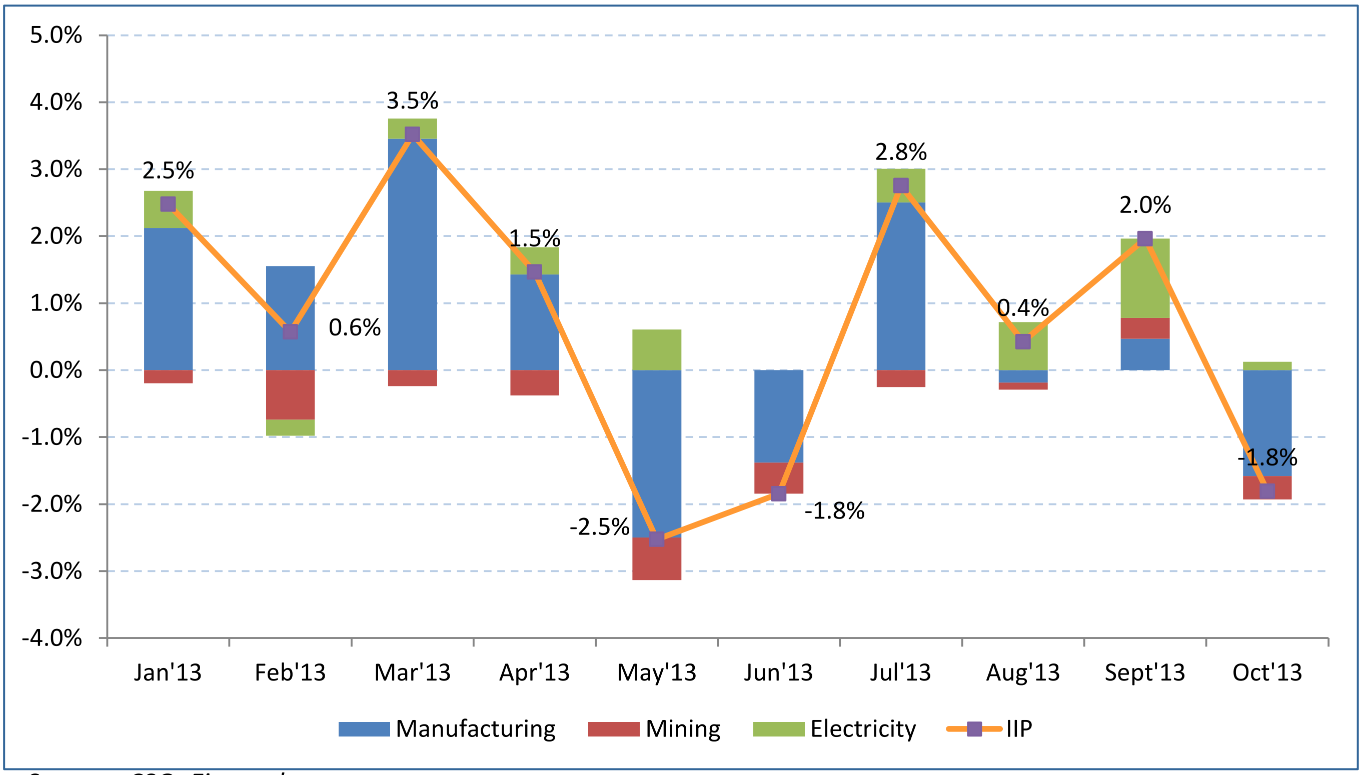
Source : CSO, Finexcel

Sector-wise growth: Electricity alone manages positive growth



Source : CSO, Finexcel

Sector-wise contribution to Industrial Growth: Manufacturing drags the IIP down

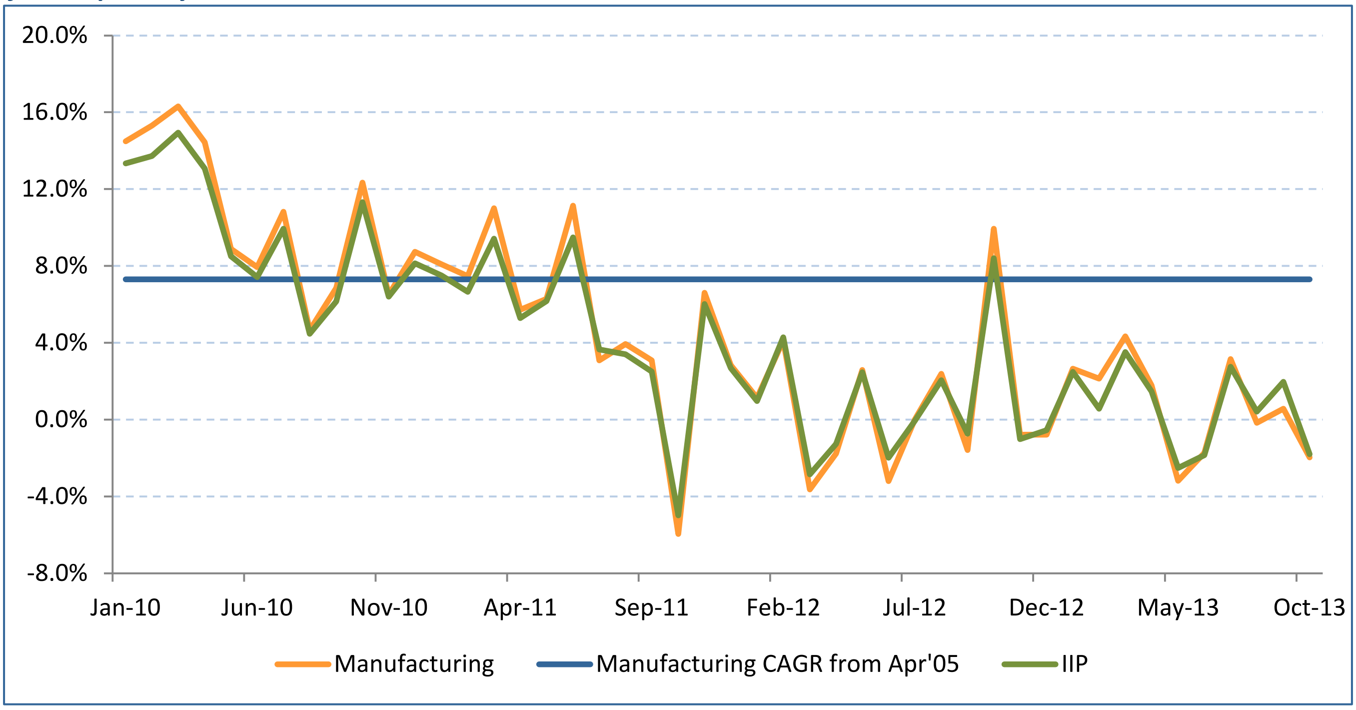


Source : CSO, Finexcel

- ***Manufacturing***, having 75.5% weight in IIP, dragged the IIP down by 1.6% (Vs. contributing 0.5% in Sep’13 and 7.9% in Oct’12).
- ***Mining***, the second largest component of IIP (weight of 14.2%), also shaved off 0.4% from IIP (Vs. contributing 0.3% in Sep’13 and Nil in Oct’12)
- ***Electricity***, having a weight of 10.3%, contributed 0.1% to IIP (Vs. contributing 1.2% in Sep’13 and 0.5% in Oct’13). Except in Feb’13, electricity has always showed positive growth from Apr’06 (since the beginning of the current series).

MANUFACTURING:

IIP growth tracks Manufacturing growth closely : Manufacturing growth is well below long-term average, for the past 2 years



Source : CSO, Finexcel

- Manufacturing sector has contracted by 2% in Oct’13 (Y-o-Y), compared to a growth of 0.6% in Sep’13 and a spectacular 9.9% growth in Oct’12. The growth for the past 2 years has been well below the long-term average of 7.3% (CAGR from Apr’05 to Oct’13).
- Out of the 22 industry groups in the manufacturing sector, 10 have contracted during Oct’13. These industries had a weight of 39.8% in IIP and have dragged IIP down by 5.4%.

Particulars	Apr'13	May'13	Jun'13	Jul'13	Aug'13	Sept'13	Oct'13
No. of manufacturing industries contracted	10	13	12	9	8	9	10
Weight (%) of manufacturing industries contracted	35.0%	43.3%	35.5%	21.6%	31.1%	29.1%	39.8%
Combined contribution to IIP (%)	-4.3%	-5.7%	-4.8%	-3.5%	-3.8%	-4.2%	-5.4%

Top industries in Manufacturing & their growth during the current financial year

Industry	Weight in IIP	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13
Basic metals	11.3%	-1.3%	-3.1%	-4.4%	0.5%	-4.7%	-2.0%	-3.0%
Chemicals and chemical products	10.1%	9.9%	8.2%	12.8%	4.4%	7.4%	11.4%	6.3%
Food products and beverages	7.3%	-2.1%	-3.2%	0.2%	4.2%	-6.6%	5.3%	-3.1%
Coke, refined petroleum products & nuclear fuel	6.7%	12.1%	10.5%	2.5%	7.0%	9.6%	14.9%	-1.4%
Textiles	6.2%	5.2%	2.1%	3.4%	0.9%	5.4%	2.9%	3.3%
Other non-metallic mineral products	4.3%	3.5%	-0.3%	-3.1%	-4.1%	2.3%	9.5%	0.4%
Motor vehicles, trailers & semi-trailers	4.1%	-1.2%	-6.2%	-13.7%	-4.2%	2.1%	-13.0%	-13.7%

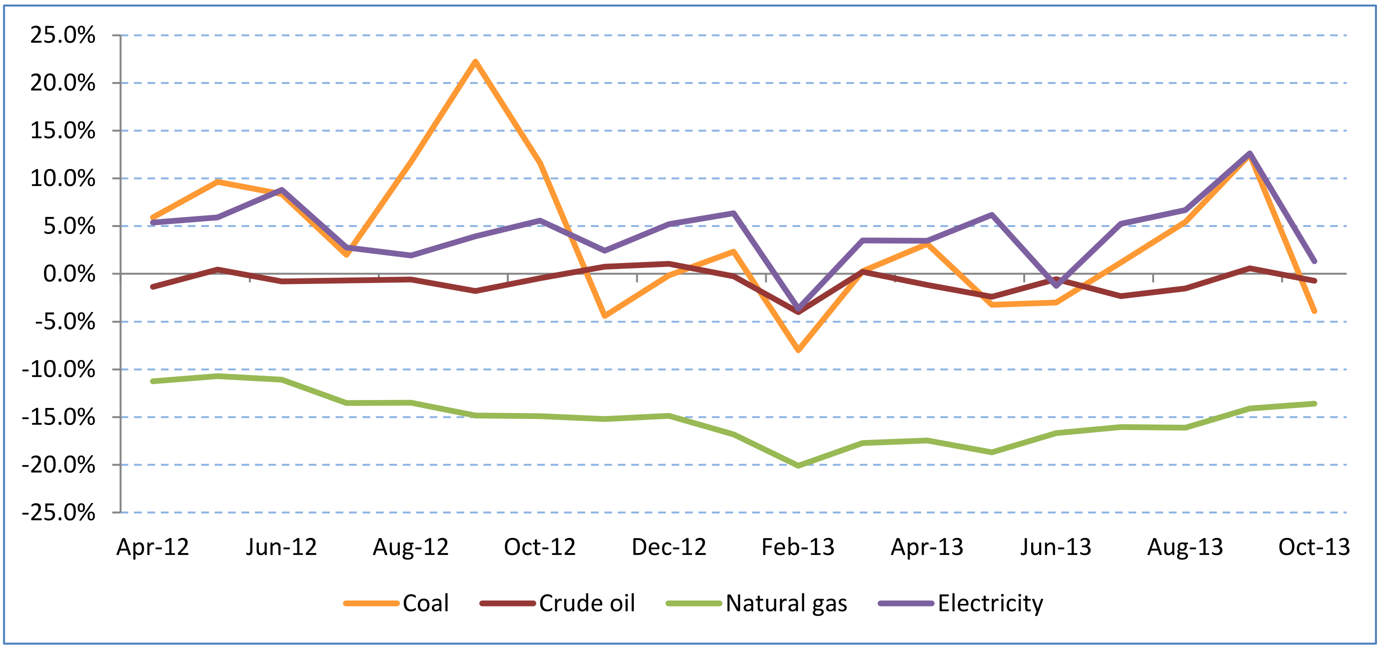
- Among the top industries, Motor vehicles, trailers & semi-trailers contracted by 13.7% in Oct'13, the lowest in the past 8 months. Low consumer confidence due to high Retail inflation and high interest rates haa prevented consumers from spending on consumer durables like Motor vehicles. The sector had grown by 26% in Oct'12 and contracted 13% in Sep'13.

Contribution of top industries to Manufacturing growth

Nature	Weight in IIP	Apr'13	May'13	Jun'13	Jul'13	Aug'13	Sept'13	Oct'13
Basic metals	11.3%	-0.2%	-0.5%	-0.7%	0.1%	-0.6%	-0.3%	-0.5%
Chemicals and chemical products	10.1%	0.9%	0.8%	1.1%	0.4%	0.6%	1.1%	0.6%
Food products and beverages	7.3%	-0.2%	-0.3%	0.0%	0.3%	-0.3%	0.3%	-0.2%
Coke, refined petroleum products & nuclear fuel	6.7%	0.8%	0.7%	0.2%	0.5%	0.5%	0.9%	-0.1%
Textiles	6.2%	0.3%	0.1%	0.2%	0.1%	0.3%	0.2%	0.2%
Other non-metallic mineral products	4.3%	0.2%	0.0%	-0.2%	-0.2%	0.1%	0.4%	0.0%
Motor vehicles, trailers & semi-trailers	4.1%	-0.1%	-0.5%	-0.9%	-0.3%	0.1%	-1.0%	-1.1%
Others	25.6%	0.1%	-3.5%	-1.5%	2.3%	-0.8%	-1.1%	-0.9%
Manufacturing - Total	**75.5%**	**1.8%**	**-3.2%**	**-1.7%**	**3.2%**	**-0.2%**	**0.6%**	**-2.0%**

- As per the data regarding Core Industries, the core industries have contracted by 0.6% in Oct'13 compared to a growth of 8% in Sep'13 and 7.7% in Oct'12. This is the third time since April 2005, the core industry is registering contraction (the previous instances being July 2005 (-0.3%) and February 2013 (-2.4%).

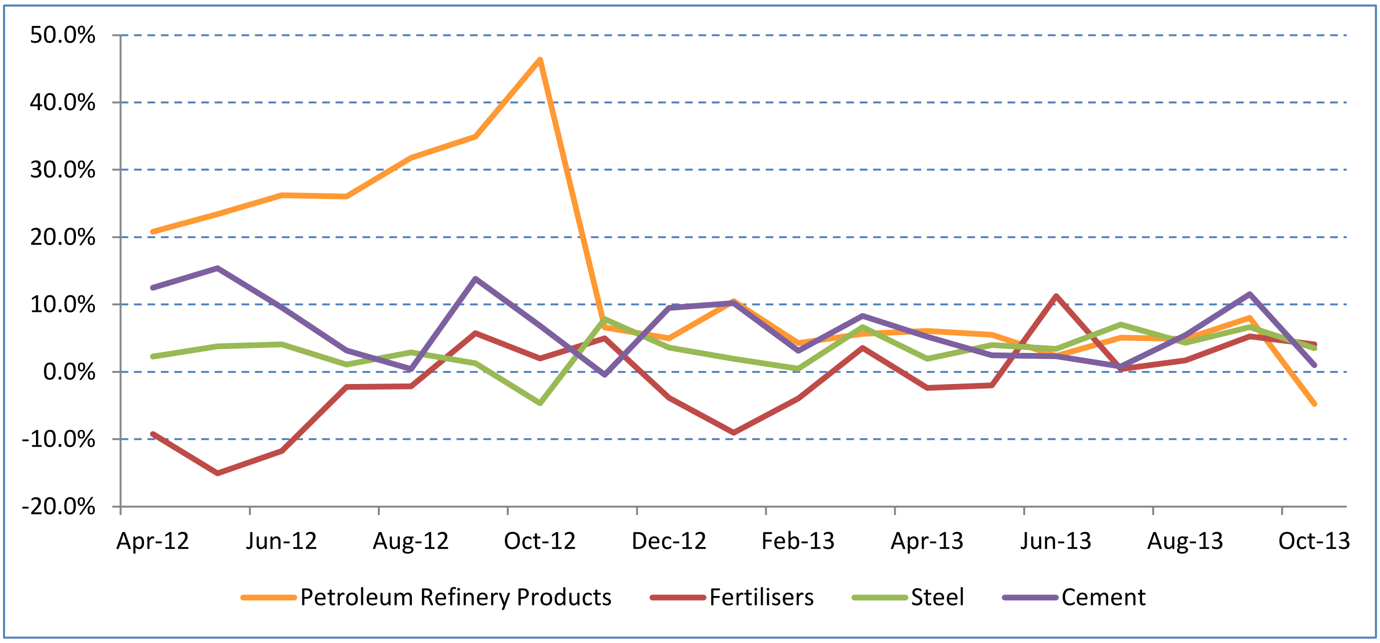
Core Industries - Power sector related



Source : CSO, Finexcel

- ***Crude oil*** production growth was flat at -0.7% (contraction) in Oct'13, compared to a growth of 0.6% in Sep'13 and a contraction of 0.4% in Oct'12.
- ***Natural gas*** production continued to contract on Year-on-Year basis, for the 35th consecutive month. The sector contracted by 13.6% in Oct'13 (Y-o-Y), compared to a contraction of 14.1% in Sep'13 and a contraction of 14.9% in Oct'12. This can be partly attributed to the problems in Reliance's KG-D6 basin.
- ***Coal*** production contracted by 3.9% in Oct'13 compared to the production levels an year ago. The sector registered a growth of 12.5% in Sep'13 and 11.6% in Oct'12. The state-owned Coal miner, Coal India which accounts for around 80% of India's coal output, is said to have lost around 5 million tonnes of production due to rains in Oct'13. This is almost 14% of Coal India's actual production of 35 MT in Oct'13. In the last week of Nov'13 & beginning of Dec'13, there was a labour strike in one of the mines and is said to have caused a loss of production of 1.2 MT of coal.

Core Industries : Other than power related



Source : CSO, Finexcel

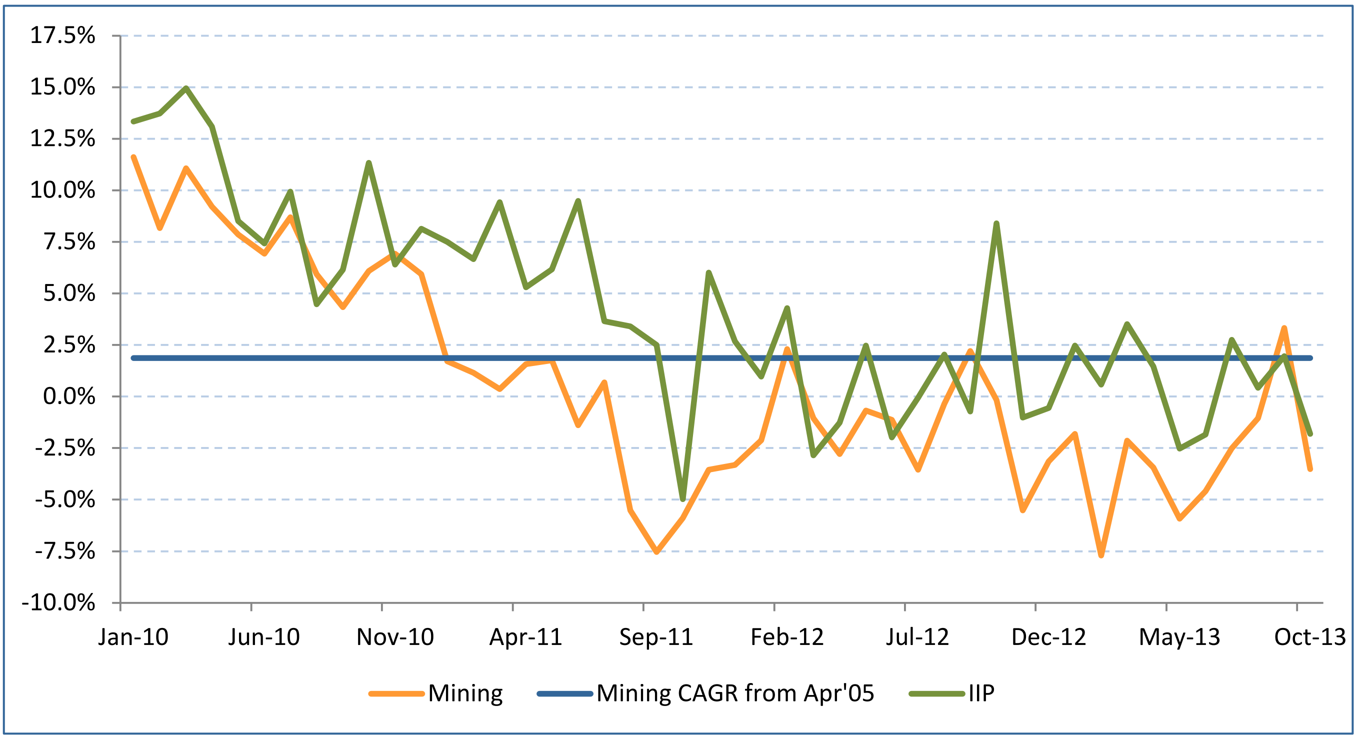
- For the first time since January 2012, ***Petroleum refinery*** production contracted, registering a contraction of 4.8% in Oct'13 compared to 8% growth in Sep'13 and 46.6% in Oct'12. This is the lowest growth recorded in the past 3 years.
- ***Fertilisers*** grew 4.1% in Oct'13 compared to 5.3% in Sep'13 and 2% in Oct'12.
- ***Steel*** production grew 3.5% in Oct'13 compared to 6.6% in Sep'13 and a contraction of 4.7% in Oct'12. Hence the low base effect played out here.
- ***Cement*** production grew 1% in Oct'13 compared to 11.5% in Sep'13 and 6.8% in Oct'12.

Core sector – Year-on-Year growth

Particulars	Weight in IIP	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13
Overall Core Industries	37.9%	2.3%	2.3%	0.1%	3.1%	3.7%	8.0%	-0.6%
Coal	4.4%	3.1%	-3.3%	-3.0%	1.2%	5.5%	12.5%	-3.9%
Crude Oil	5.2%	-1.2%	-2.4%	-0.6%	-2.3%	-1.5%	0.6%	-0.7%
Natural Gas	1.7%	-17.4%	-18.7%	-16.7%	-16.1%	-16.1%	-14.1%	-13.6%
Petroleum Refinery Products	5.9%	6.1%	5.5%	2.3%	5.1%	4.9%	8.0%	-4.8%
Fertilizers	1.3%	-2.4%	-2.0%	11.3%	0.4%	1.7%	5.3%	4.1%
Steel	6.7%	1.9%	4.0%	3.4%	7.0%	4.3%	6.6%	3.5%
Cement	2.4%	5.2%	2.4%	2.3%	0.8%	5.5%	11.5%	1.0%
Electricity	10.3%	3.5%	6.2%	-1.2%	5.2%	6.7%	12.6%	1.3%

MINING

Mining fails to pick up, contracts 3.5%

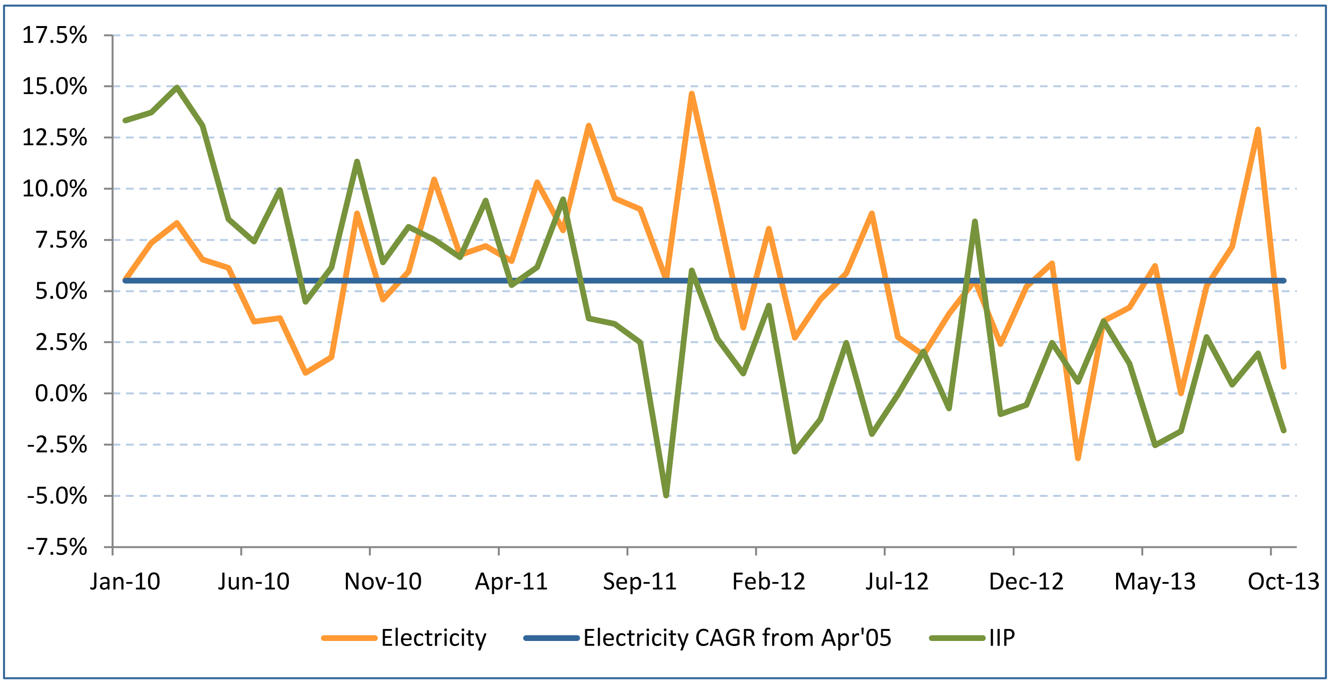


Source : CSO, Finexcel

- Mining contracted 3.5% for Oct’13 (Y-o-Y), compared to a growth of 3.3% in Sep’13 and a contraction of 0.2% in Oct’12. Mining has a weight of 14.2% in IIP and around 2% in GDP.
- Media reports suggest that mining has not yet restarted in Goa, while some of the mines (among Class A & B) have restarted operations in Karnataka. Hence it may take a while for the sector to start showing any signs of growth revival.

ELECTRICITY

Electricity production : resilient



Source : CSO, Finexcel

- Electricity production grew 1.3% in Oct’13 on Year-on-Year basis, compared to 12.9% in Sep’13 and 5.5% in Oct’12. This sector is one of the most resilient sectors, and has recorded year-on-year contraction only 4 times since April 2005.
- As per the data released by the Central Electricity authority, the production from Thermal power plants contracted by 3.9% in Oct’13 compared to the levels in Oct’12. Coal-based power production was up by 1.08%, while Lignite-based power production was down 7.4%.
- The electricity produced from hydro power plants increased by 31.6% in Oct’13 compared to the levels in Oct’12, while nuclear power plants increased power production by 13.5% during the same period.

USE BASED CLASSIFICATION

Industrial output contracts 1.8% Y-o-Y:

Consumer goods drags the IIP down. None of the sectors show growth higher than October 2012.

October'12 Vs. October'13 :

Sector	Oct'12		Oct'13
Basic goods	4.3%	▼	-1.6%
Capital goods	7.0%	▼	2.3%
Intermediate goods	9.6%	▼	1.8%
Consumer goods	13.8%	▼	-5.1%
Consumer durables	16.7%	▼	-12.0%
Consumer non-durables	11.2%	▼	1.8%

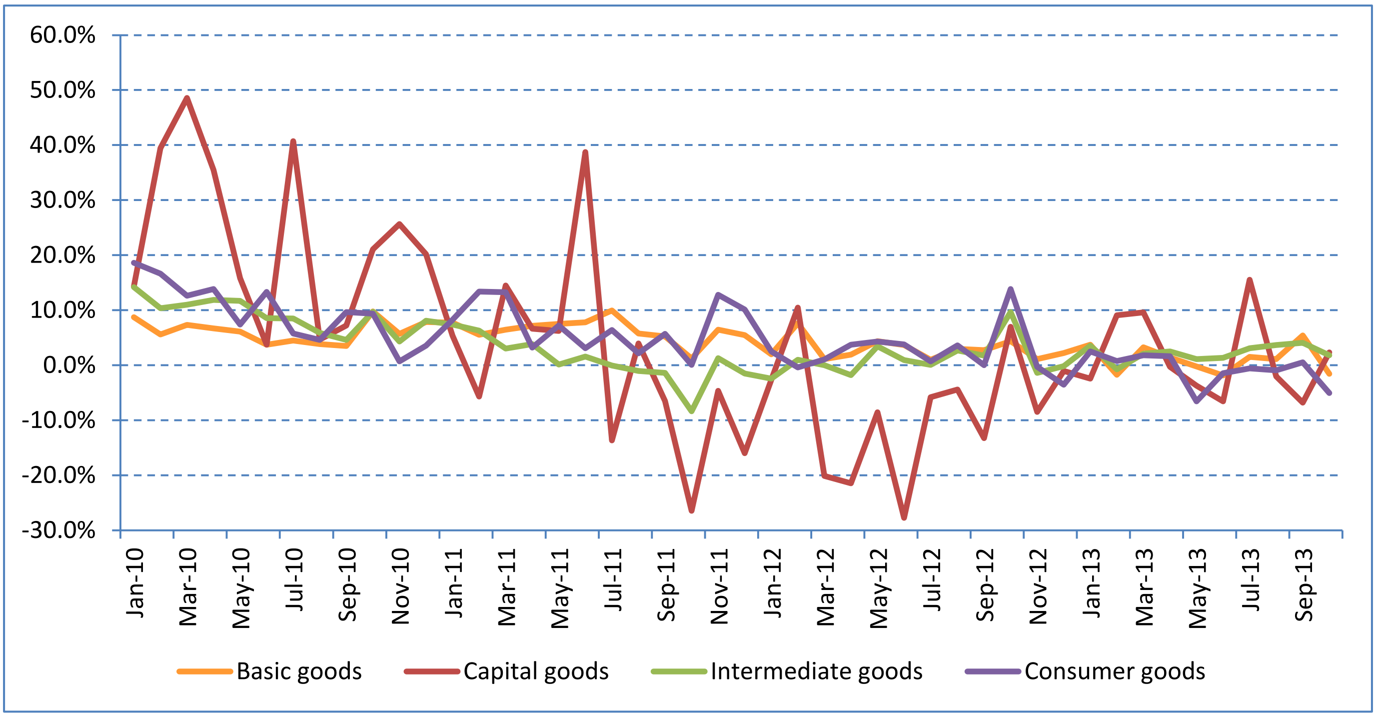
September'13 Vs. October'13 :

Sector	Sep'13		Oct'13
Basic goods	2.2%	▼	-0.6%
Capital goods	-0.9%	▼	0.3%
Intermediate goods	0.6%	▼	0.2%
Consumer goods	0.2%	▼	-1.7%
Consumer durables	-1.7%	▼	-2.0%
Consumer non-durables	1.9%	▼	0.3%

Apr-Oct'12 Vs. Apr-Oct'13:

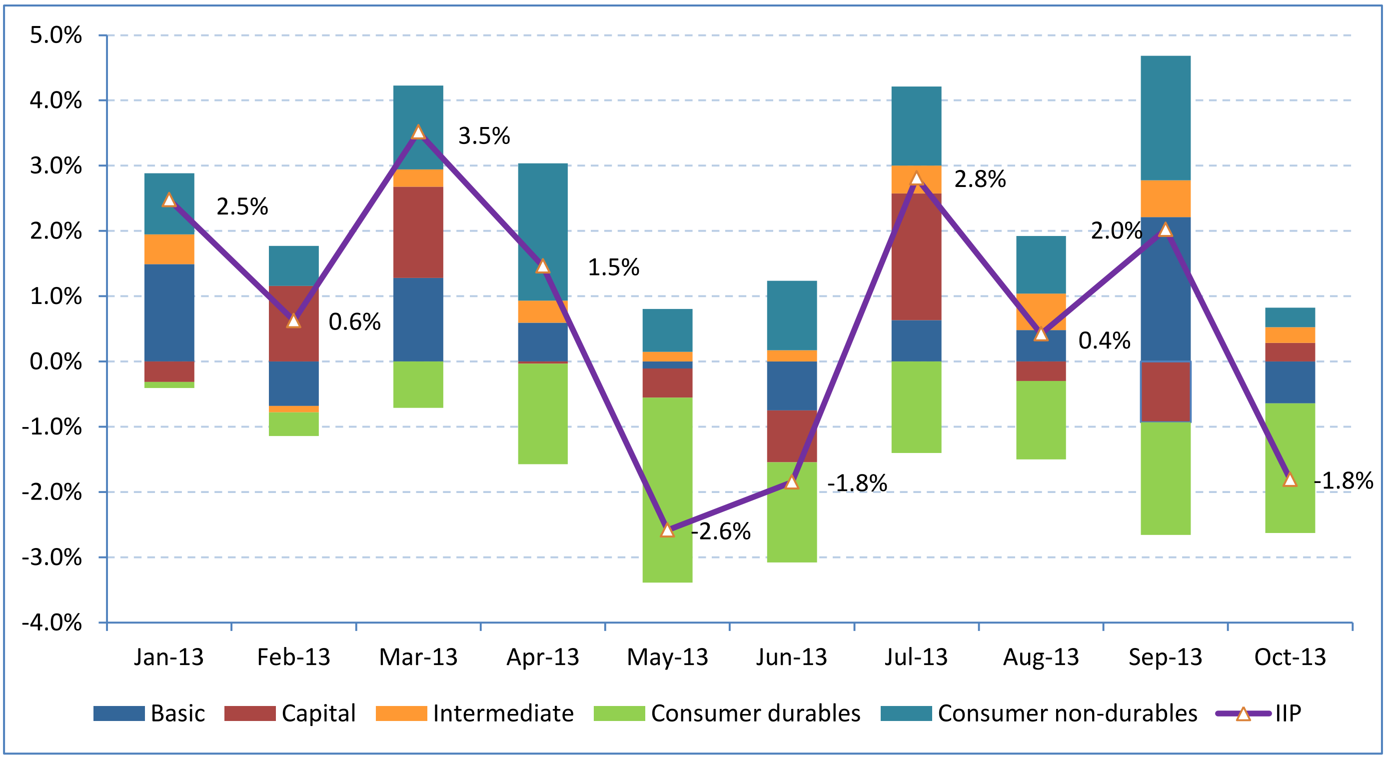
Sector	Apr-Oct'12		Apr-Oct'13
Basic goods	2.9%	▼	0.7%
Capital goods	-11.6%	▲	-0.2%
Intermediate goods	2.3%	▲	2.5%
Consumer goods	4.2%	▼	-1.8%
Consumer durables	5.7%	▼	-11.2%
Consumer non-durables	2.8%	▲	6.7%

Use-based classification of industrial growth : Capital goods growth is very volatile



Source : CSO, Finexcel

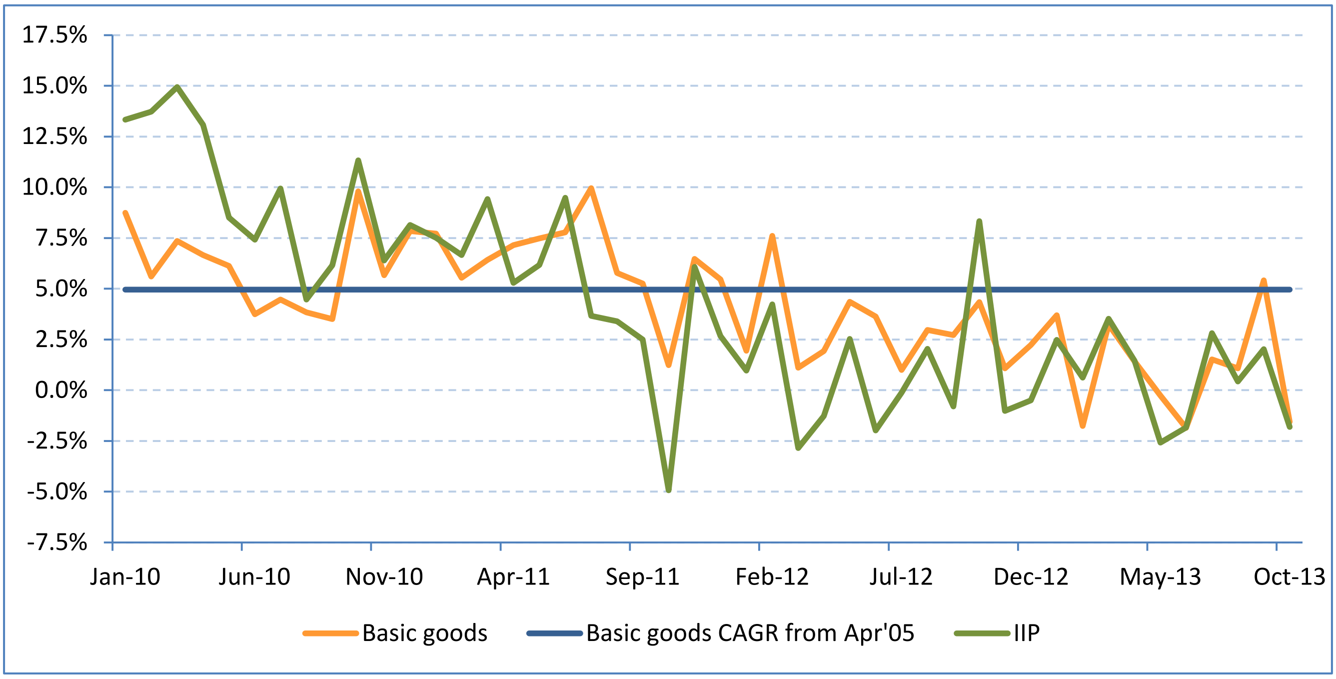
Use-based growth - Contribution to IIP : Consumer durables has always been a spoiler



Source : CSO, Finexcel

- Out of the contraction of 1.8% in Oct'13, Consumer goods have contributed a contraction of 1.7%.

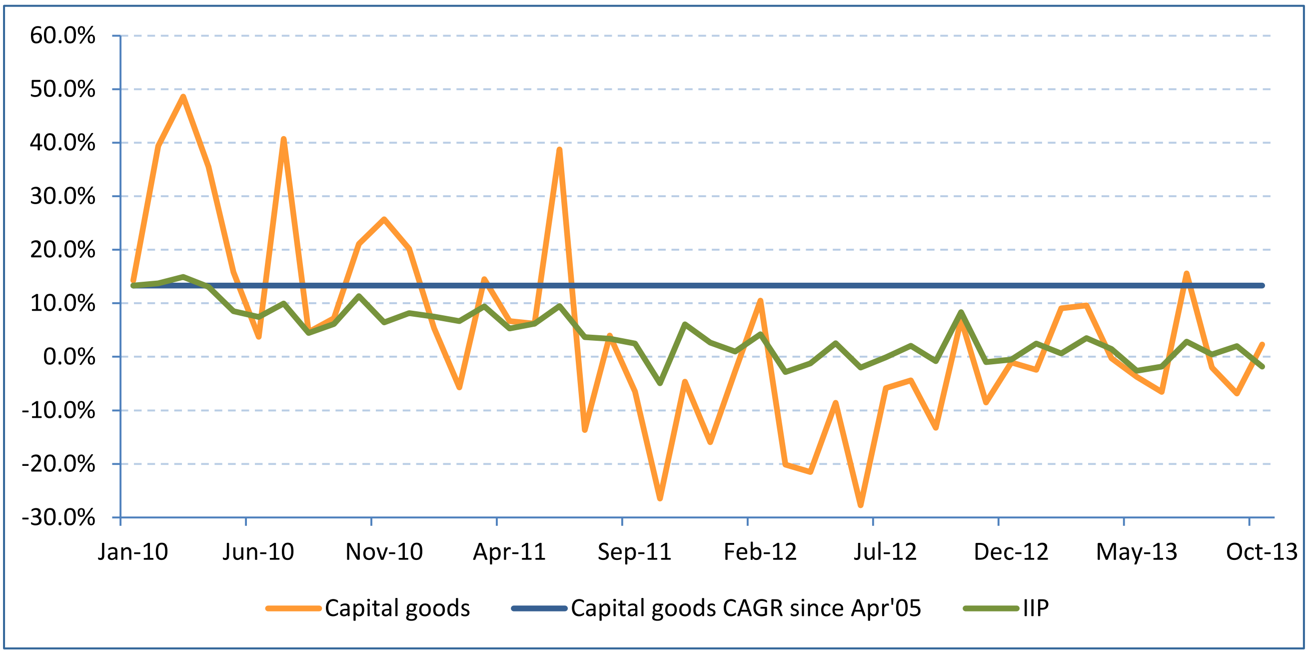
BASIC GOODS



Source : CSO, Finexcel

- Basic goods, having a weight of 45.7% in IIP (this includes mining and electricity), contracted by 1.6% in Oct’13, compared to a growth of 5.4% in Sep’13 and a growth of 4.3% in Oct’12. This contraction was mostly driven by the contraction in mining (weight of 14.2% in IIP), which contracted by 3.5% in Oct’13.

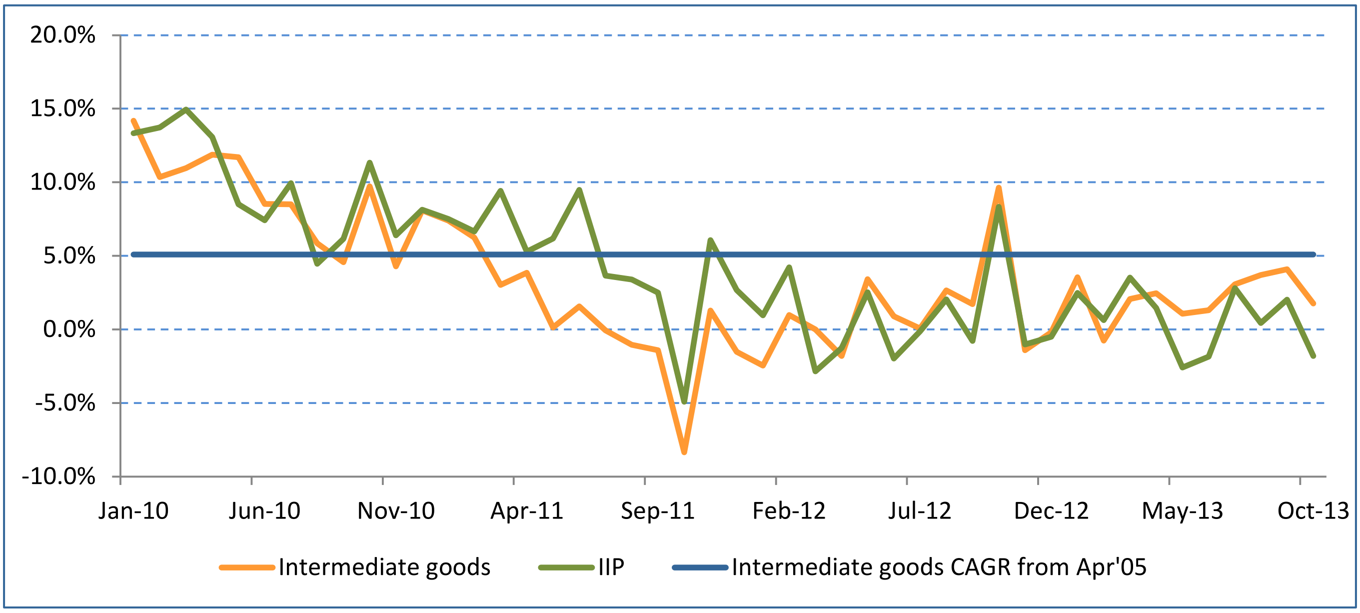
CAPITAL GOODS



Source : CSO, Finexcel

- Capital goods, having a weight of 8.8% in IIP's use-based classification, has grown by 2.3% in Oct'13 compared to a contraction of 6.8% in Sep'13 and a growth of 7% in Oct'12. This is the sector with the highest volatility of growth rates, as is evident from the above charts.

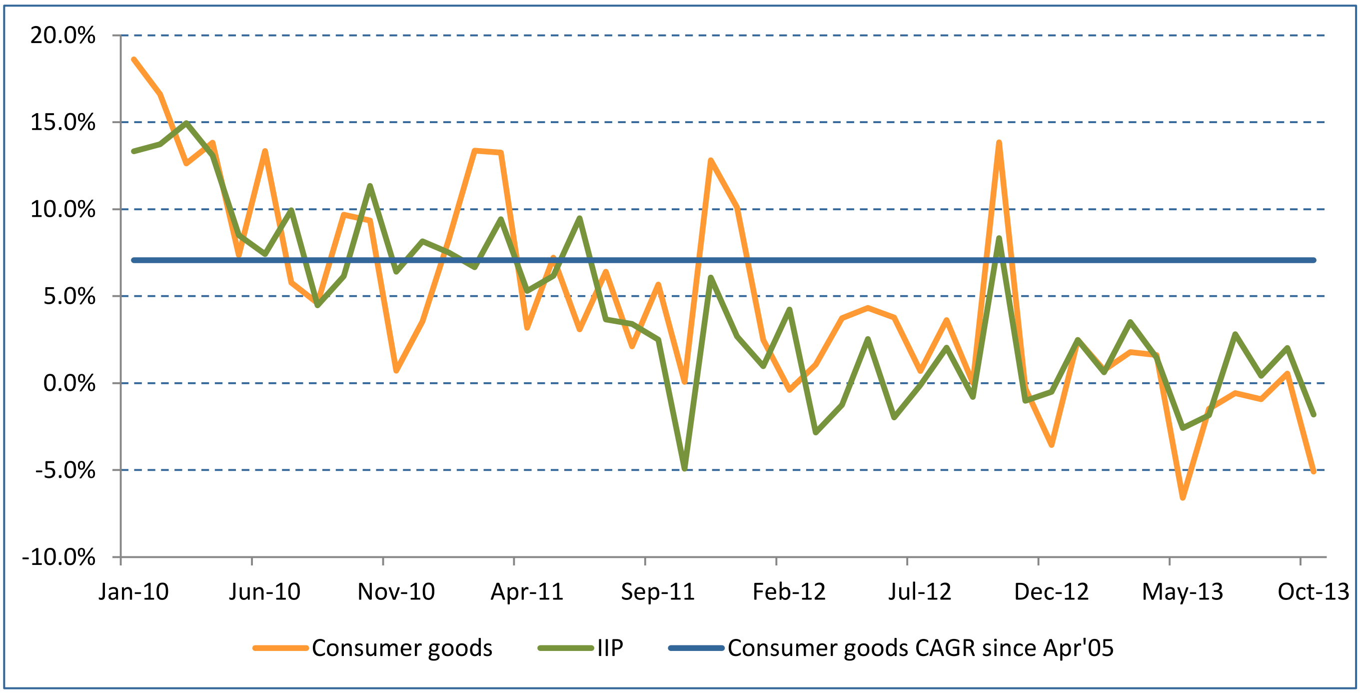
INTERMEDIATE GOODS



Source : CSO, Finexcel

- Intermediate goods production grew at 1.8% in Oct'13 compared to 4.1% in Sep'13 and 9.6% in Oct'12. It has a weight of 15.7% in IIP.

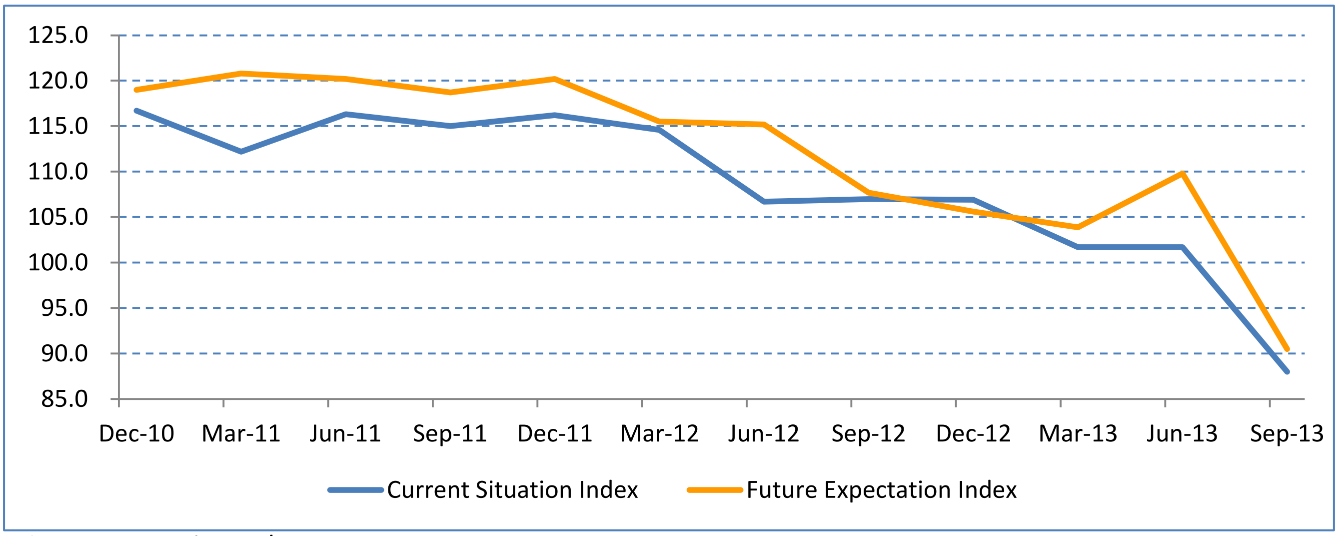
CONSUMER GOODS



Source : CSO, Finexcel

- During Oct'13, the production of consumer durables contracted by 5.1%, compared to a growth of 0.5% in Sep'13 and a growth of 13.8% in Oct'12.
- If the Quarterly Consumer confidence survey released by the Reserve Bank of India is any indication, we are going to see further slowdown in consumer spending. As per this survey, the Current situation index and the Future expectation index are at the lowest level in at least 3 years.

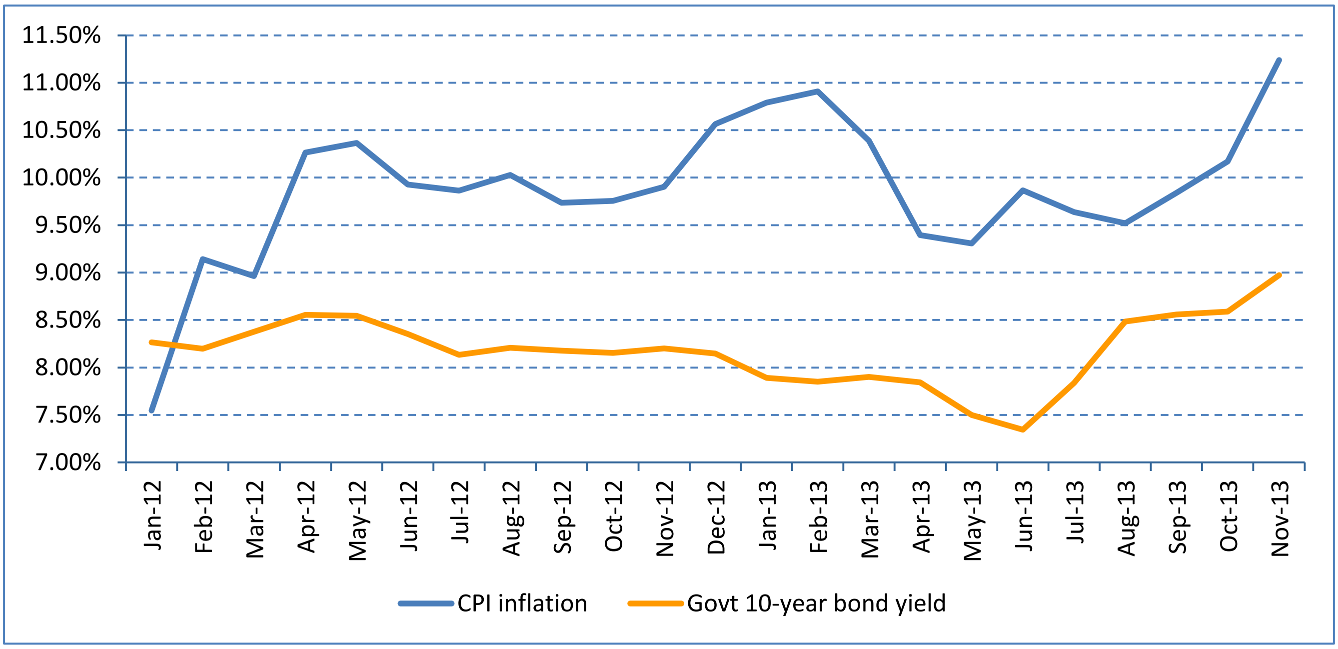
RBI Consumer Confidence Survey Index: Points to bad times ahead



Source : RBI, Finexcel

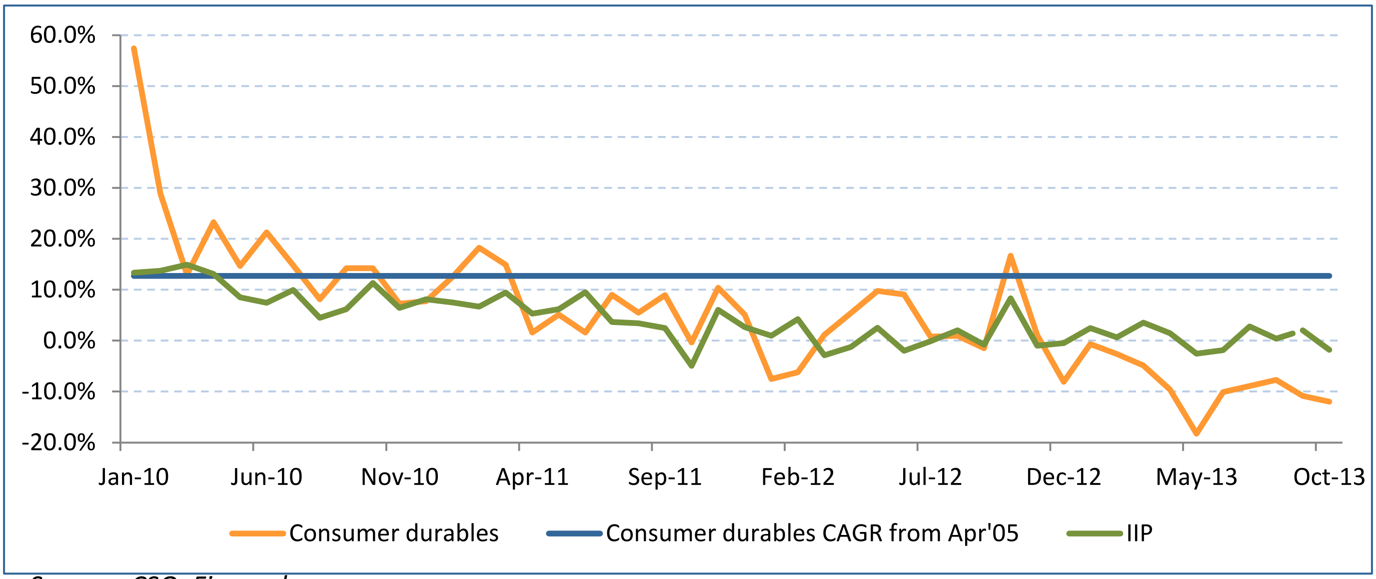
- Consumer-level inflation rose again, with the November print coming at 11.24% and October at 10.19% (revised). Interest rate environment also remained at elevated levels during Oct'13. Both of these factors pushed consumers to cut back their spending.

Consumer-price inflation & Government 10-year yield: Consumers are hesitant to spend due to high interest rates



Source : CSO, Finexcel, Investing.com

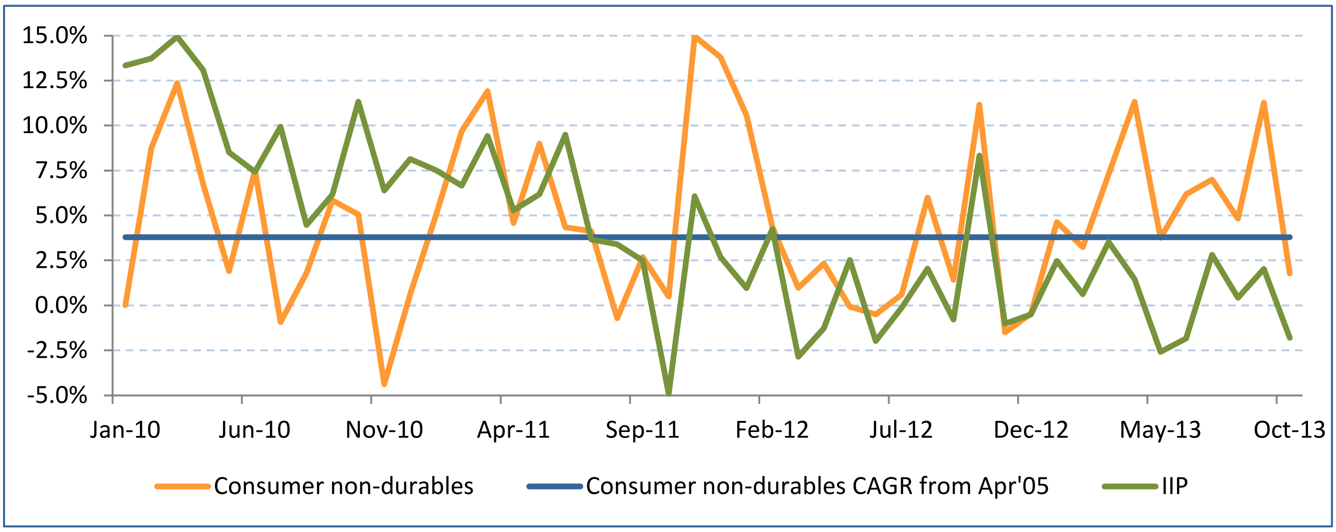
CONSUMER DURABLE GOODS



Source : CSO, Finexcel

- Consumer durables production, having a weight of 8.5% in the IIP, contracted (Y-o-Y) for the 11th consecutive month. The sector contracted 12% in Oct'13 compared the production levels in Oct'12. This contraction is in stark contrast with the growth of 16.7% recorded in Oct'12. The sector contracted 10.8% in Sep'13. The contraction of consumer durables dragged the IIP down by 2% and was the biggest spoiler in the contraction of Industrial production.
- The contraction of consumer durables production reflects the poor consumer spending in durable goods, and hence the industry has cut back production. As per the industry-based classification, "Motor vehicles, trailers & semi-trailers" group contracted by 13.7% in Oct'13. But, Motorcycles, scooters etc. grew by around 21% in Oct'13.

CONSUMER NON-DURABLE GOODS



Source : CSO, Finexcel

- Consumer non-durables grew by 1.8% in Oct'13, the lowest in the past 10 months. This is compared to the growth of 11.3% in Sep'13 and 11.2% in Oct'12, and hence the based effect played out, like the other sectors.

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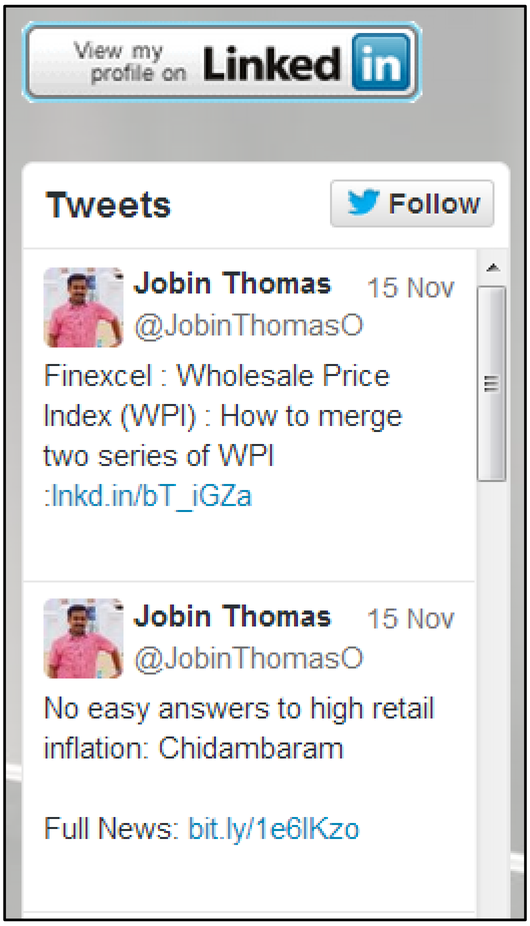

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