

IIP growth contracted by 1.9 percent in November 2020

Industrial Performance- Economic Activity - Growth (% YoY)

Month	IIP (Wt= 100.00)	Mining & quarrying (Wt= 14.37)	Manufac turing (Wt= 77.63)	Electricity (Wt= 7.99)
Nov-19	2.1	1.9	3.0	-5.0
Dec-19	0.5	5.7	-0.3	-0.1
Jan-20	2.2	4.4	1.8	3.1
Feb-20	5.2	9.6	3.8	11.5
Mar-20	-18.7	-1.3	-22.8	-8.2
Apr-20	-57.3	-26.9	-66.6	-22.9
May-20	-33.4	-20.4	-37.9	-14.9
Jun-20	-16.6	-19.5	-17.0	-10.0
Jul-20	-10.6	-12.7	-11.4	-2.5
Aug-20	-7.1	-8.7	-7.6	-1.8
Sept-20	0.5	1.4	-0.2	4.9
Oct-20	4.2	-1.3	4.1	11.3
Nov-20	-1.9	-7.3	-1.7	3.5

According to the Economy Activity wise classification of the index, mining & quarrying and manufacturing sub segments witnessed contraction while the electricity segment continued to remain in the positive growth zone for the third consecutive month.

The mining sub segment reported the sharpest decline, recording a fall of (-) 7.3 percent in November, vis-à-vis (-) 1.3 percent growth witnessed in October 2020.

Manufacturing sector also entered the negative zone with 13 categories out of 23 manufacturing sub-segments (constituting 46.1 percent of the index) reporting contraction in the month of November 2020. This marks a worsening of performance with just eight segments reporting negative y-o-y growth in the previous month. During November 2020, major sub segments including wearing apparel (-18.8 percent), textiles (-9.8 percent), machinery & equipment (-5.4 percent) and coke & refined petroleum products (-3.2 percent) registered a decline in growth.

In case, of the Use Based Classification of the Index, four out of the five sub segments recorded negative growth. Infrastructure/ construction goods was the only sector to remain in the positive growth zone.

The Index of Industrial Production slipped back into the negative territory in November 2020 after registering positive growth for two straight months.

The overall index reported a y-o-y contraction of 1.9 percent in November 2020, vis-à-vis 4.2 percent growth noted in the previous month. The quick estimate for October underwent an upward revision from 3.6 percent growth reported earlier.

On a cumulative basis, the overall IIP growth reported a 15.5 percent decline over the period April-November 2020, vis-à-vis 0.4 percent growth noted over the same period last year

The fall in industrial production in November was expected with the core sector, which has a weight over 40 percent in the index of industrial production, also witnessing a decline during the month. The volatility in performance of the index is indicative of a fragile and uneven industrial recovery.

Industrial Performance- Use Based- Growth (% YoY)

	Primary goods (Wt= 34.05)	Capital goods (Wt= 8.22)	Interme diate goods (Wt= 17.22)	Infrastru cture/co nstruction goods (Wt= 12.34)	Consum er goods (Wt= 28.17)	Consum er durables (Wt= 12.84)	Consum er non- durables (Wt= 15.33)
Nov-19	-0.2	-8.9	17.2	-0.7	0.1	-1.4	1.1
Dec-19	2.4	-18.3	13.1	0.2	-4.1	-5.6	-3.2
Jan-20	1.8	-4.4	15.6	-0.3	-1.8	-3.7	-0.6
Feb-20	8.2	-9.6	23.0	2.8	-2.8	-6.2	-0.3
Mar-20	-4.0	-38.8	-18.6	-24.3	-28.3	-36.8	-22.3
Apr-20	-26.6	-92.7	-64.0	-85.0	-68.6	-95.7	-48.1
May-20	-19.6	-65.9	-39.7	-39.0	-35.7	-70.3	-9.7
Jun-20	-14.5	-37.4	-20.7	-18.3	-10.7	-34.8	6.9
Jul-20	-10.8	-22.8	-10.7	-8.2	-9.1	-23.7	1.8
Aug-20	-10.8	-14.4	-4.8	0.0	-6.0	-10.3	-3.1
Sept-20	-1.5	-1.3	-1.0	2.5	2.8	3.4	2.4
Oct-20	-3.2	3.5	2.1	9.9	11.6	18.0	7.1
Nov-20	-2.6	-7.1	-3.0	0.7	-0.7	-0.7	-0.7

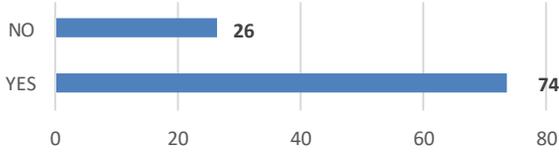
The Capital Goods sector slipped back into contraction in November 2020 after noting growth in nearly two years in October 2020. Consumer goods, too, entered the negative terrain during the month indicating continued weakness in demand conditions.

Source: MoSPI, CMIE

FICCI-Dhruva Survey Results, December 2020

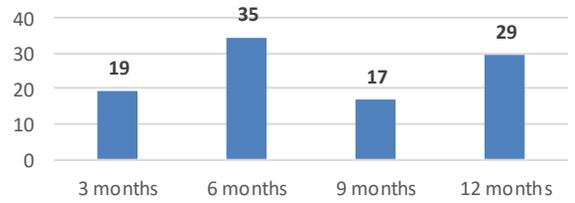
(% of respondents)

Foresee a significant impact on business post availability of covid vaccine?

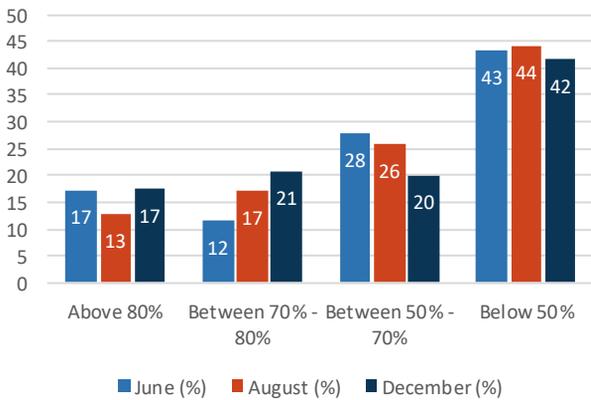


(% of respondents)

Expected time to normalcy post vaccine is available



Capacity Utilisation Rate (%)



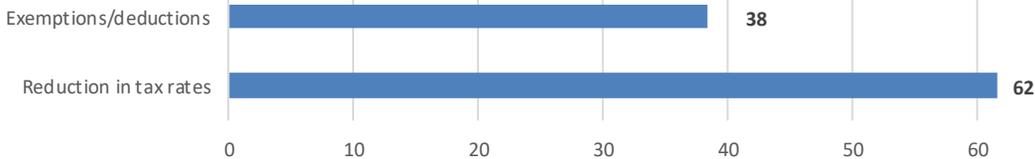
(% of respondents)

Key Challenges Due To Current Uncertain Conditions

	Managing Costs	Weak Demand	Financial Liquidity	Supply Chain Issues	Manpower Availability	Others
June	60	59	57	40	43	15
August	57	68	61	28	42	13
December	54	59	48	27	29	9

Expectation about direct tax proposals in next year's Budget

(% of respondents)



Weak demand conditions was cited by nearly 59 percent respondents as a key challenge to businesses in the latest round of the FICCI Dhruva Survey. This was also corroborated by low capacity utilization rates being reported by companies. A majority of the participants (about 62 percent) reported a capacity utilization rate of under 70% in the December survey round.

However, on the brighter side, close to 74 percent of the respondents anticipate significant improvement in their business once the covid vaccine is available. Around 54 percent respondents were optimistic and indicated returning to normalcy within 6 months from the availability of the vaccine.

Comment

The IIP numbers announced for November are indicative of the fragility in industrial recovery. While the growth was supported by handful of sectors on the back of pent-up demand as well as the festive season, a sustainable broad-based recovery is yet to take shape. Considerable amount of uncertainty remains on the fore and will require close monitoring.

While the government has been proactive in announcing measures to support the industry, a skewed and an uneven recovery implies that continued fiscal as well as monetary stimulus support will remain important until the growth momentum firms up. Further push in the form of reforms as well as stimulus measures are required to bolster economic activity. The forthcoming Union Budget is being looked forward too with much eagerness. Greater thrust to demand and private investments remains critical.

Source: MoSPI, FICCI-Dhruva Survey, CMIE