

IIP reported 1.0 percent growth in December 2020

Industrial Performance- Economic Activity - Growth (% YoY)

Month	IIP (Wt=100.00)	Mining & quarrying (Wt=14.37)	Manufacturing (Wt=77.63)	Electricity (Wt=7.99)
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	1.0	1.4	0.4	4.9
Oct-20	4.2	-1.3	4.1	11.3
Nov-20	-2.1	-6.7	-2.0	3.5
Dec-20	1.0	-4.8	1.6	5.1

According to the Economy Activity wise classification of the index, mining & quarrying segment witnessed contraction while manufacturing and electricity segment reported growth in the month of December 2020.

The mining sub segment reported slower decline in growth, (-) 4.8 percent in December, vis-à-vis (-) 6.7 percent witnessed in the previous month.

Manufacturing sector witnessed a mild rebound and reported 1.6 percent growth in December 2020. During December 2020, major sub segments including computer, electronic and optical products (18.9 percent), electrical equipment (8.2 percent), chemicals and chemical products (7.2 percent), pharmaceuticals, medicinal chemical and botanical products (6.8 percent) and basic metals (4.2 percent) registered good growth.

However, 14 categories out of 23 manufacturing sub-segments reported contraction during the month. This marks a worsening of overall sector performance with about 13 segments reporting negative y-o-y growth in the previous month.

In case, of the Use Based Classification of the Index, four out of the five sub segments recorded growth. Primary goods was the only sector that recorded a decline in growth.

The Index of Industrial Production witnessed a mild recovery in the month of December after slipping into the contractionary zone in November 2020.

The overall index reported a y-o-y growth of 1.0 percent in December 2020, vis-à-vis a contraction of 2.1 percent noted in the previous month. The quick estimate for November underwent a downward revision from -1.9 percent growth reported earlier.

On a cumulative basis, the overall IIP growth reported a 13.5 percent decline over the period April- December 2020, vis-à-vis 0.4 percent growth noted over the same period last year

The improvement in industrial production in December came as a surprise as the core sector, which has a weight over 40 percent in the index of industrial production, witnessed 1.2 percent decline during the month. The variability in performance of the index is indicative of an uneven industrial recovery.

Industrial Performance- Use Based- Growth (% YoY)

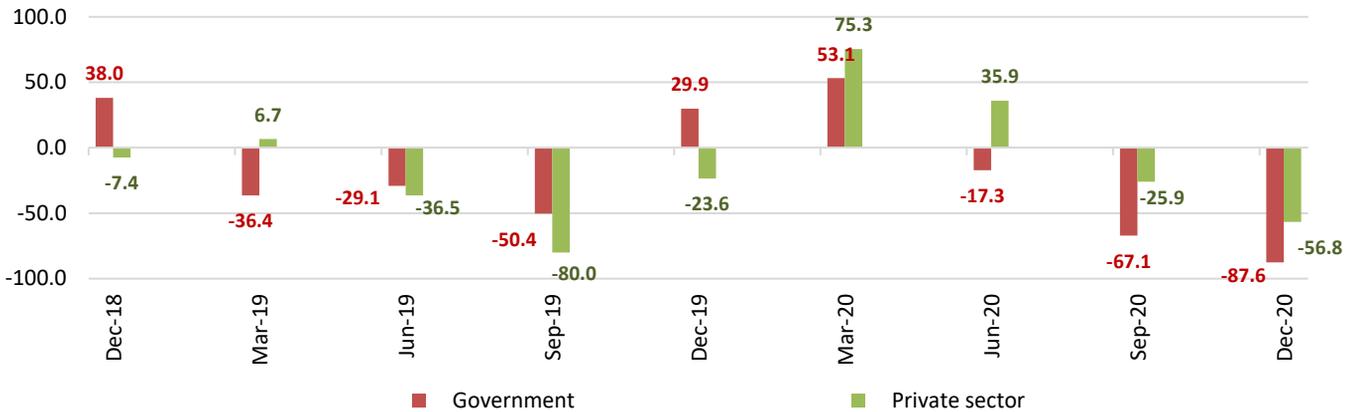
	Primary goods (Wt=34.05)	Capital goods (Wt=8.22)	Intermediate goods (Wt=17.22)	Infrastructure/construction goods (Wt=12.34)	Consumer goods (Wt=28.17)	Consumer durables (Wt=12.84)	Consumer non-durables (Wt=15.33)
Dec-19	2.4	-18.3	13.1	0.2	-4.1	-5.6	-3.2
Jan-20	1.8	-4.4	15.6	-0.3	-1.8	-3.7	-0.6
Feb-20	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	-1.2	-0.4	4.0	3.6	5.3	2.4
Oct-20	-3.2	3.5	2.1	9.9	11.6	18.0	7.1
Nov-20	-2.3	-7.4	-2.6	1.7	-2.2	-3.4	-1.3
Dec-20	-0.3	0.6	0.4	0.9	3.1	4.9	2.0

Capital goods, intermediate goods and consumer goods segments reported an uptick in growth in December 2020 after contracting in the previous month. Infrastructure/construction goods noted some moderation in growth in December 2020. This segment, however, is likely to pick up in the coming months on the back of a strong infrastructure thrust being given by the govt.

Fact Sheet – Index of Industrial Production (IIP)

February 2021

New Investment Projects Announced: Growth: Y-o-Y in %



RBI's OBICUS Survey Results, February 2021

IIP-Manufacturing and Capacity Utilization

Quarter	Number of responding companies	Capacity Utilisation
Q2:2019-20	819	69.1
Q3:2019-20	700	68.6
Q4:2019-20	349	69.9
Q1:2020-21	406	47.3
Q2:2020-21	563	63.3

Average New Order Books (Based on common set of 56 companies in 9 quarters)**

Quarter	Amount (₹ Crores)	Q-o-Q Growth (%)***	Y-o-Y Growth (%)
Q2:2019-20	151.6	-15.1	-14.7
Q3:2019-20	161.4	6.5	-4.7
Q4:2019-20	152.0	-5.9	-16.8
Q1:2020-21	101.7	-33.1	-43.1
Q2:2020-21	175.0	72.1	15.4

** : As required for calculating growth rates in recent 5 quarters

*** : Not seasonally adjusted

As per RBI's OBICUS survey, capacity utilization rate of companies witnessed improvement and stood at 63.3% in Q2 2020-21 from historic low of 47.3% in the previous quarter. Phase wise opening of the economy since June lent support, which resulted in the improved numbers. Average new order books were seen improving significantly, with new orders growing by 15.4% on a y-o-y basis in Q2 2020-21.

Despite this improvement, companies are still sitting on huge idle capacities and are, therefore, reluctant to invest in additional capacity. As per the latest data from CMIE, new investment projects announced have deteriorated further in Q3 2020-21 both for government as well as private sector investments. Uncertain demand conditions with consumers still on precautionary mode amidst the pandemic, despite hopes from successful vaccination, has added to the scepticism for India Inc.

Comment

The IIP numbers are indicative that a sustainable broad-based recovery is yet to firm up. However, supportive fiscal policy in the form of a strong push to capital expenditure announced in the Union Budget 2021-22, continued emphasis and policy announcements in favour of AtmaNirbhar Bharat Abhiyan, greater focus on healthcare accompanied by an accommodative monetary policy stance bode well to ensure a recovery of Indian industry as well as the economy. While the government and the RBI have been working in tandem to support growth, successful implementation of various plans announced as a part of fiscal and monetary policies will play an important role in deciding how the recovery shapes up going forward.