

IIP contracts for second consecutive month in February 2021

Industrial Performance- Economic Activity - Growth (% YoY)				
Month	IIP	Mining & quarrying	Manufacturing	Electricity
	(Wt=100.00)	(Wt=14.37)	(Wt=77.63)	(Wt=7.99)
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	4.5	-1.0	4.5	11.3
Nov-20	-1.6	-5.4	-1.6	3.5
Dec-20	1.6	-4.2	2.1	5.1
Jan-21	-0.9	-2.5	-1.3	5.5
Feb-21	-3.6	-5.5	-3.7	0.1

Industrial Performance- Use Based- Growth (% YoY)							
	Primary goods	Capital goods	Intermediate goods	Infrastructure/construction goods	Consumer goods	Consumer durables	Consumer non-durables
	(Wt=34.05)	(Wt=8.22)	(Wt=17.22)	(Wt=12.34)	(Wt=28.17)	(Wt=12.84)	(Wt=15.33)
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	-3.1	3.2	3.2	10.9	11.6	18.1	7.3
Nov-20	-1.9	-7.5	-1.8	2.1	-1.7	-3.2	-0.7
Dec-20	-0.1	1.5	2.2	2.7	2.5	5.7	0.5
Jan-21	0.7	-9.0	0.9	1.8	-3.4	-0.2	-5.4
Feb-21	-5.1	-4.2	-5.6	-4.7	0.2	6.3	-3.8

Source: CMIE

▪ The growth in Index of Industrial Production (IIP) reported a decline for the second consecutive month in February 2021. The IIP y-o-y growth contracted by 3.6 percent in the February 2021, vis-à-vis (-) 0.9 percent y-o-y growth reported in January 2021. The pandemic has had an adverse impact on the industry sector and the overall growth was in the negative terrain in 8 out of 11 months during the financial year 2020-21. On a cumulative basis IIP declined by 11.3 percent over the cumulative period April-February 2020-21, vis-à-vis 1.0 percent growth witnessed over the same period in 2019-20.

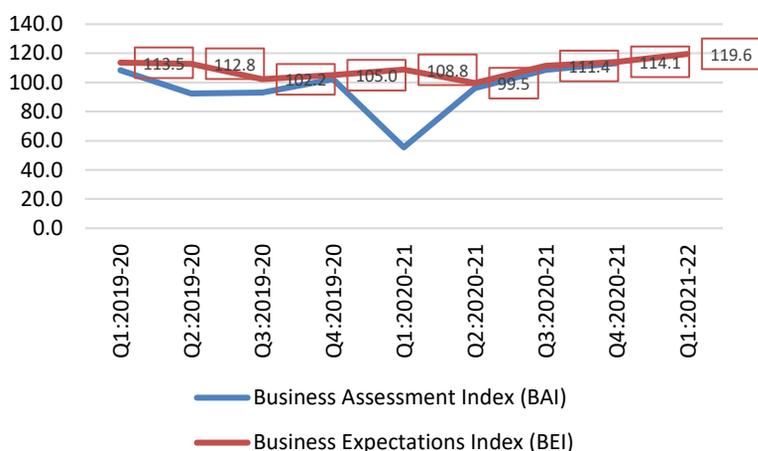
▪ Moreover, the surge in new Covid-19 cases has once again escalated uncertainty levels significantly. The recovery in manufacturing, which was anyways indicating signs of volatility, will be challenged further for the next couple of months. The sentiment which had improved since the end of last year will need to be closely watched now and this is despite the on-going vaccination drive. Continuance of such episodes will further deepen the scars of last year – which are yet to fully heal.

▪ On the economic activity side, a further worsening was noted at a broader level. Even though the electricity segment posted a positive y-o-y growth of 0.1 percent in February 2021, it was a sharp moderation from 5.5 percent y-o-y growth witnessed in the previous month. On the other hand, the contraction further deepened in case of both manufacturing and mining sectors during the month of February 2021. While manufacturing sector contracted by 3.7 percent y-o-y in February 2021 (vis-à-vis 1.3 percent in January 2021), the decline in mining sector y-o-y growth was a tad sharper at 5.5 percent (vis-à-vis 2.5 percent fall noted in January 2021). Furthermore, within the manufacturing sector only six subsegments out of a total of 23 posted a positive growth in February 2021. This was almost similar to the previous month- when only 5 sectors had reported a positive growth. The Manufacture of computer, electronic and optical products posted the highest double-digit y-o-y growth of 21.0 percent in February 2021, while the Printing and reproduction of recorded media sub segment witnessed the steepest decline of 28.3 percent during the month.

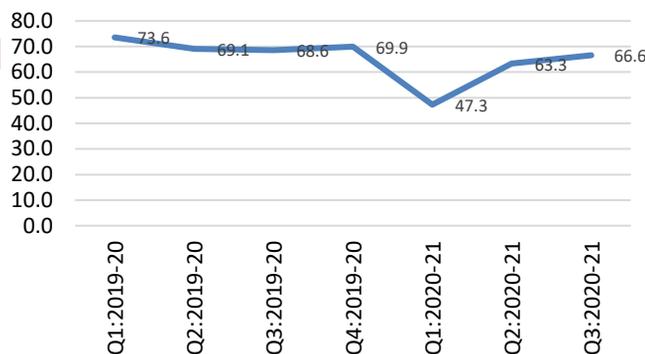
▪ As per the use-based classification of the IIP, out of the five sub-heads – four posted negative growth in February 2021. Consumer durables was the only segment to report a strong rebound (6.3 percent growth in Feb 2021 from (-) 0.2 de-growth in Jan 2021) - pulling the overall consumer goods segment to the positive territory. Among the durables segment commodities like computers & peripherals, TV sets, Air conditioners, Electric water heaters, ceiling/pedestal fans, ready made garments noted double digit growth during the month.

Reserve Bank of India Latest Survey Assessments

RBI Industry Outlook Survey: Business Sentiment



RBI OBICUS: Capacity Utilization Rate (in %)



Source: RBI Industry Outlook Survey & OBICUS, April 7, 2021

Summary of Net Responses on Survey Parameters (in %)

	Assessment Period		Expectation Period	
	Q3 2020-21	Q4 2020-21	Q4 2020-21	Q1 2021-22
Production	27.2	36.3	31.5	43.7
Order Book	20.5	33.1	27.3	43.2
Pending Orders	12.0	-3.0	9.2	-2.4
Employment	3.9	10.9	7.2	17.9
Financial Situation (Overall)	27.5	29.4	33.0	47.3
Selling Price	9.4	22.7	10.7	29.2

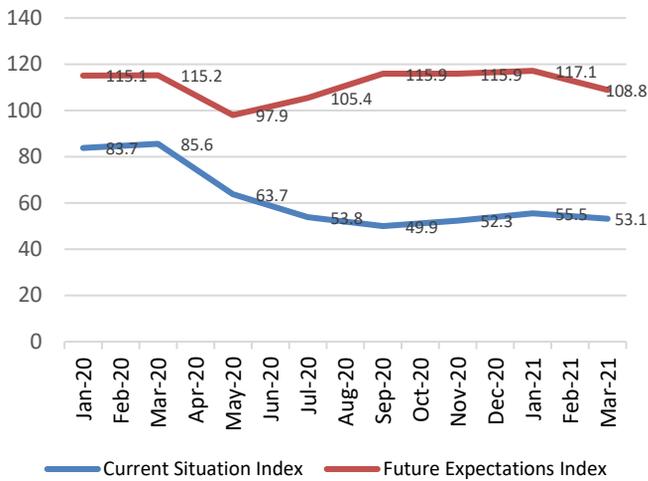
Source: : RBI Industry Outlook Survey & OBICUS, April 7, 2021

Reserve Bank of India's (RBI) 93rd round of Industrial Outlook Survey released on April 7, 2021 has indicated an improving business sentiment. Business assessment index (BAI) rose to 113.1 in the March 2021 quarter from 108.6 in the preceding quarter. Business expectations index (BEI) also noted an improvement to 119.6 in the March 2021 quarter from 114.1 in the December 2020 quarter. Manufacturing companies assessed strengthening of production, order books and employment in the March 2021 quarter. The sentiments on financial situation noted an improvement as well - in terms of availability of finance from banks, internal accruals and overseas sources. However, the participants observed higher cost pressures and some increase in selling prices during the March 2021 quarter.

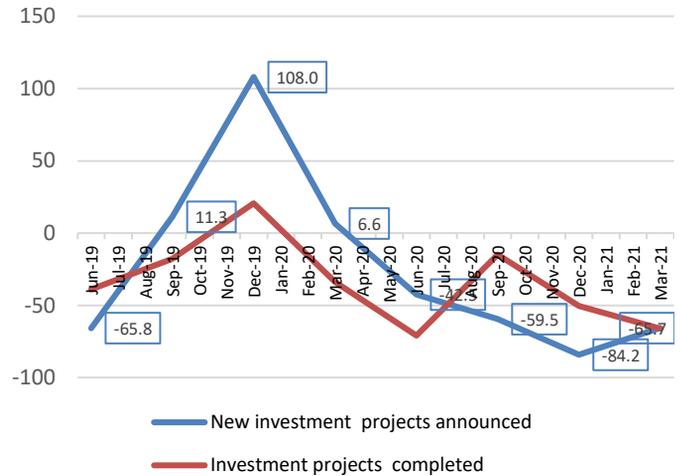
According to RBI's 52nd round of Order Books, Inventories and Capacity Utilization Survey (OBICUS), capacity utilization of manufacturing companies noted a further improvement to 66.6 per cent in the quarter ended December 2020 from 63.3 per cent in the quarter ended September 2020. Average new orders rose 22 per cent on a y-o-y basis in the December 2020 quarter after witnessing contraction in the previous four quarters. However, average backlog orders went up marginally by 0.9 per cent and average pending orders rose 5.5 per cent in the quarter ended December 2020.

However Consumer Confidence & Investments Continue to be Concern

RBI Consumer Confidence Survey



Investment By All Projects: Y-o-Y Change in %



Source : RBI Consumer Confidence Survey, April 7, 2021; CMIE

Comment

The industry growth as reflected in the IIP numbers for the month of February 2021 indicates the ground situation. A moderating performance has also been reflected in some of the lead indicators. The surge witnessed in the Covid-19 cases between the last and this release is unprecedented. In the last week an average of 1.33 lakh new cases have been reported every day. Moreover, the spread of the new cases has broadened geographically as well forcing more and more states to undertake localized lockdowns. Some stress is becoming evident amid the migratory workers as well. This situation can undermine industry growth going ahead. The situation is indeed challenging, and a mass immunization drive can only help achieve herd immunity. At this juncture, both testing and vaccination needs to be ramped up considerably.

We need to draw up an innovative vaccination strategy rather than focusing on equitable distribution of vaccination. A surgical strike model for distribution and inoculation in areas where there is high COVID surge would be much more beneficial in the current situation. The allowance for on-site vaccination is positive and would help build momentum.

FICCI is also encouraged by the RBI's monetary policy announced last week. The Central Bank has done a great job in managing the liquidity situation so far and we look forward to a continuance of the same approach in future as well. At present, sustaining growth remains the most important task at hand. We cannot afford to lose the gains made after hitting ground zero situation last year. Another shock to consumption and services activity will not bode well for the overall economic health of the country.