

IIP y-o-y growth at 13.6 percent in June 2021; sequential numbers post growth after two consecutive months of decline

Industrial Performance- Economic Activity - Growth (% YoY)				
Month	IIP (Wt=100.00)	Mining & quarrying (Wt=14.37)	Manufacturing (Wt=77.63)	Electricity (Wt=7.99)
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	2.2	-2.9	2.7	5.1
Jan-21	-0.6	-2.4	-1.0	5.5
Feb-21	-3.2	-4.4	-3.4	0.1
Mar-21	24.2	6.1	28.3	22.5
Apr-21	134.6	36.3	197.9	38.5
May-21	28.6	23.3	33.5	7.5
Jun-21	13.6	23.1	12.9	8.3

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)
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	0.4	2.2	2.3	3.1	3.7	6.5	1.9
Jan-21	0.8	-9.0	2.0	2.3	-3.3	-0.1	-5.4
Feb-21	-4.6	-4.2	-5.3	-3.5	0.3	6.6	-3.8
Mar-21	7.8	50.4	22.4	35.0	40.3	59.9	29.2
Apr-21	36.8	1042.9	212.3	596.1	201.0	1880.0	94.9
May-21	15.8	78.3	54.4	45.6	19.3	91.9	1.4
Jun-21	12.0	25.7	22.6	19.1	6.1	30.1	-4.5

Source: CMIE

- The latest IIP numbers indicated growth to remain in the positive terrain for the fourth consecutive month in June 2021. The index grew albeit at a slower pace of 13.6 percent (y-o-y) during the month. The trend is on expected lines indicating a gradual weakening of the base effect. On a cumulative basis, the index reported a growth of 44.9 percent during the first quarter vis-à-vis (-) 35.6 percent growth in the same quarter previous year.
- On a sequential basis, the overall index noted a 5.7 percent increase in June 2021- posting a recovery after two consecutive months of negative m-o-m growth. The pickup in sequential numbers portends well and is in sync with a return in momentum seen in the lead indicators during the month with easing of lockdown restrictions across states. However, some fragility in the ground situation remains given the continuing uncertainty and a more meaningful recovery might take some more time.
- As per the economic activity classification of the index, a positive y-o-y growth was reported across all the three broad sectors – manufacturing, electricity and mining. However, on a sequential basis the mining sector reported a (-)2.3 percent growth in June 2021; while the manufacturing sector grew by 7.4 percent on a m-o-m basis in June 2021 and the electricity sector increased by 4.5 percent. Furthermore, out of the 23 manufacturing sub segments, 20 segments reported growth on a m-o-m basis in June 2021. Manufacture of transport equipment (90.9%), manufacture of motor vehicles (44.7%) and manufacture of beverages (47.8%) reported the highest m-o-m growth. While food products, paper & paper products & coke & refined petroleum product categories posted negative growth on a sequential basis.
- According to the used based classification of the IIP index, all broad subheads except for primary goods segment reported positive m-o-m growth in June 2021. The latter segment posted (-) 0.2 percent growth on a sequential basis in June 2021. While all other subsegments returned to a positive growth territory in June on a m-o-m basis with capital goods, overall consumer goods and consumer durables segments posting double digit growth.

Non – Financial Sector Performance: Income, Expenditure & Profits (Y-o-Y Growth in %)

	Q1 2020-21	Q2 2020-21	Q3 2020-21	Q4 2020-21	Q1 2021-22 Short Sample
Total income	-37.3	-11.1	-0.8	17.0	60.8
Net sales	-38.9	-10.4	-0.6	18.5	64.7
Export income	-86.8	-17.0	2.5	-87.9	15.5
Total expenses	-34.0	-17.8	-1.5	5.7	58.9
Operating expenses	-41.0	-15.4	-1.8	10.0	73.1
Raw materials, etc & purch of fin gds	-51.4	-19.2	-2.9	15.9	105.2
Purchase of finished goods	-49.3	-14.4	5.8	13.2	84.4
Salaries and wages	-3.6	-1.4	3.5	6.0	15.0
Power & fuel	-44.8	-26.1	-9.9	9.1	81.8
Royalties, technical know-how fees, etc	-48.0	-27.1	-22.1	27.9	163.6
Rent & lease rent	-62.6	-61.4	-39.1	-14.1	-37.0
Advertising expenses	-46.0	-6.2	7.6	16.1	45.4
Outward freight/other distribution expenses	-36.1	5.4	10.9	22.5	58.7
Travel expenses	-81.1	-71.7	-75.2	-71.4	14.0
PAT net of P&E	-56.1	31.7	54.6	229.4	122.6

The CMIE data on financial corporate results indicate an improved performance in the first quarter of 2021-22. These results are based on a short sample of about 1547 companies. The sales and profits report a strong recovery, however these come on the back of a low base.

RBI Industrial Outlook Survey of the Manufacturing Sector

Parameters	Business Expectations of Select Parameters - Net Response			
	Round 93 (Previous)		Round 94 (Latest)	
	Q1 2021-22	Q2 2021-22	Q3 2021-22	Q4 2021-22
Overall Business Situation	52.5	52.4	71.2	70.4
Production	43.7	52.0	72.0	69.6
Order Book	43.2	50.4	72.8	70.1
Capacity Utilization	38.0	45.4	63.0	61.6
Employment	17.9	26.1	43.1	32.8
Cost of Raw Material	-62.4	-54.9	-55.7	-53.7

Net Response (NR) is the difference between the percentage of respondents reporting optimism and those reporting pessimism. It ranges between -100 to 100. Any value greater than zero indicates expansion/optimism and any value less than zero indicates contraction/pessimism.

Source: RBI

- ✓ According to the RBI Survey, production volumes, new orders and job landscape are expected to improve in Q2:2021-22.
- ✓ Manufacturers expect improvement in overall financial situation.
- ✓ A major segment of the respondents anticipates continued pressure from input costs and salary outgo.
- ✓ More companies expect profit margins to improve.

Comment

There has been a pickup in industrial activity during the month of June 2021 and this should hopefully continue to find more strength going forward. The lead indicators in the month of July have continued to keep up the momentum with a further easing of lockdowns. The PMI Manufacturing for India for July reported a recovery to 55.3 from 48.1 in June 2021. Moreover, there are reports of a marginal pick up in consumption activity at the ground level which is likely to gain some more traction with the upcoming festive season. However, a note of caution continues to underline the current situation as the uncertainty around the third wave remains on the anvil. While the vaccination drive does offer some comfort, further acceleration on this front should provide a better cushion.