

IIP y-o-y growth mellows a tad in July 2021 given the weaning base effect

Industrial Performance- Economic Activity - Growth (% YoY)

Month	IIP (Wt=100.00)	Mining & quarrying (Wt=14.37)	Manufacturing (Wt=77.63)	Electricity (Wt=7.99)
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	28.4	22.5
Apr-21	133.5	36.6	195.9	38.5
May-21	28.6	23.3	33.5	7.5
Jun-21	13.6	23.1	12.9	8.3
Jul-21	11.5	19.5	10.5	11.1

■ The improvement in the performance of the manufacturing sector was broad-based, with 20 of the 23 sub-groups reporting a rise in production.

■ Manufacturing sub-segments including electric equipment; motor vehicles trailers and semi trailers; and machinery & equipment were amid the top performers reporting 42.9 percent, 35.5 percent & 25.1 percent y-o-y growth respectively in July 2021. While sub-segments including tobacco products; pharmaceuticals medicinal chemical & botanical products; and furniture segment reported a contraction in July on a y-o-y basis.

■ According to the use-based classification of IIP, all broad heads apart from consumer non-durables posted a positive y-o-y growth.

■ Output of primary goods rose by 12.4 per cent and that of intermediate goods rose by 14.1 per cent on a y-o-y basis. Production of capital goods grew by 29.5 per cent and that of infrastructure/construction goods grew by 11.6 per cent. Among consumer goods, production of durables rose by 20.2 per cent, but that of non-durables fell by 1.8 per cent.

■ The industrial production index posted a y-o-y growth of 11.5 percent in July 2021, reporting a marginal decline from 13.6 percent growth in June 2021. The latest number comes on back of a 10.6 percent decline witnessed in July 2020. The double-digit y-o-y growth in the overall index value witnessed over the past few months is being supported by a dismal performance last year. The base effect is expected to wean off further in the months ahead.

■ Cumulatively IIP during April-July 2021 rose by 34.1 per cent, as against a 29.3 per cent fall registered during the same period a year ago.

■ Nonetheless, what is encouraging is the improvement noted on a m-o-m basis. The overall IIP index reported 7.2 percent growth in July on a sequential basis – registering a positive m-o-m growth for the second consecutive month.

■ As per economic activity wise classification of IIP, output of mined products grew by 19.5 percent on a y-o-y basis, while electricity generation increased by 11.1 percent. The manufacturing sector reported a 10.5 per cent growth in production in July 2021, over an 11.4 percent fall in the year-ago month.

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)
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	35.1	40.3	59.9	29.2
Apr-21	36.9	1028.6	213.0	609.4	192.9	1778.2	92.6
May-21	15.8	78.3	54.4	45.6	19.3	91.9	1.4
Jun-21	12.0	26.7	22.7	19.8	5.6	27.9	-4.3
Jul-21	12.4	29.5	14.1	11.6	6.0	20.2	-1.8

Source: CMIE

Fact Sheet – Index of Industrial Production (IIP)

September 2021

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Lead Indicators

		Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21
Industry	PMI Manufacturing	46	52	56.8	58.9	56.3	56.4	57.7	57.5	55.4	55.5	50.8	48.1	55.3	52.3
	PMI Services	34.2	41.8	49.8	54.1	53.7	52.3	52.8	55.3	54.6	54	46.4	41.2	45.4	56.7
	E-way Bills: In Million	48.4	49.4	57.4	64.2	57.7	64.2	62.9	63.8	71.2	58.8	40.0	54.7	64.2	65.9
	Fuel Consumption: Y-o-Y in %	-13.3	-15.8	-4.4	2.4	-3.5	-1.7	-3.7	-4.6	17.9	81.8	-1.4	1.6	7.9	10.9
	Consumption of Finished Steel: Y-o-Y in %	-10.3	-11.3	0.1	6.2	18.0	17.5	9.4	11.3	50.6	684.4	64.3	28.3	4.8	-4.2
	GST (in Rs. Billion)	874.2	864.5	954.8	1051.6	1049.6	1151.7	1198.5	1131.4	1239.0	1413.8	1027.1	928.5	1163.9	1120.2
	Non Food Credit - Y-o-Y in %	6.8	6.0	5.8	5.6	6.0	5.9	5.7	6.5	5.5	5.7	5.9	5.9	6.2	-
Sector Performance	Passenger Car Sales: Y-o-Y in %	-24.4	-8.6	6.4	3.7	-9.9	3.9	-0.1	-0.2	86.3	5927.8	138.2	112.9	31.4	-5.2
	Two Wheeler Sales:	-19.6	0.2	11.3	18.1	12.7	11.0	10.3	11.5	70.8	3009.0	89.1	15.9	11.5	-6.2
	Tractor Sales (incl exports): Y-o-Y in %	35.9	64.8	26.7	9.0	48.4	41.2	47.5	30.4	170.4	480.8	-2.4	22.1	8.2	-
Transport/Infrastructure	Air cargo handled: Y-o-Y in %	-34.6	-29.4	-16.2	-13.9	-12.9	-8.9	-11.0	-8.6	34.2	445.3	150.9	45.6	35.2	-
	Revenue Earning Freight Traffic of Major Commodities: Quantity: Y-o-Y in %	-4.6	3.9	15.5	15.4	9.0	8.7	8.7	5.5	26.6	70.7	39.1	20.5	18.4	16.9
	Cargo Traffic at Major Ports: Y-o-Y in %	-13.2	-10.4	-1.9	-1.3	4.1	4.4	4.1	2.1	12.9	29.5	31.5	19.5	6.7	-

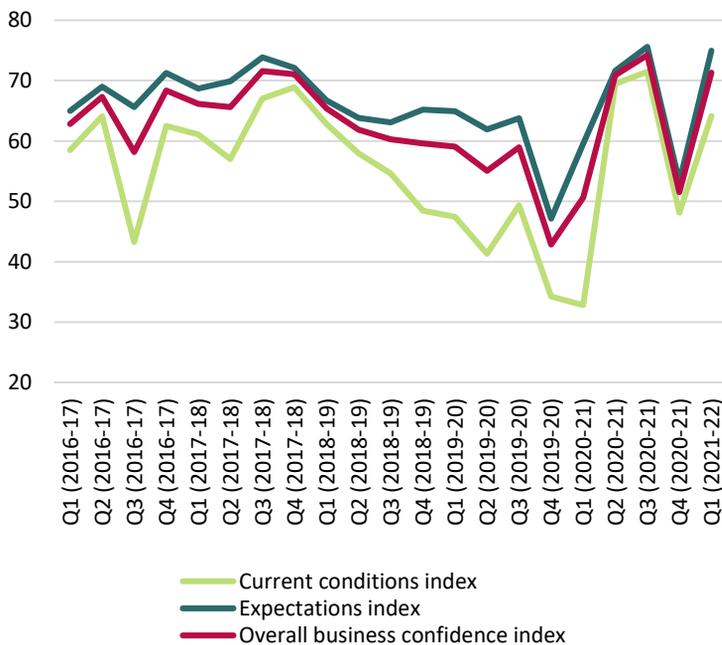
Source: CMIE

The incoming data on lead indicators displayed positivity and a trend indicating return to normalcy. Post the second wave it seems people are gradually learning to live with the virus. Moreover, with festivities around the corner this optimism is likely to hold up barring the possibility of another health emergency due to an untamable third wave.



FICCI's Business Confidence Survey

Overall Business Confidence Index

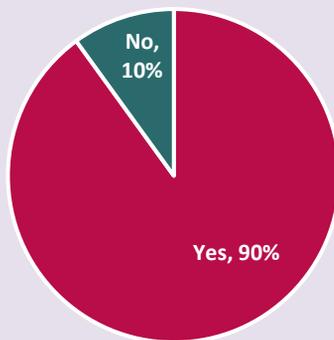


The latest round of FICCI's Business Confidence Survey reveals sharp improvement in the optimism level of corporate India. The Overall Business Confidence Index surged and stood at 71.3 in the latest survey after nosediving to 51.5 in the previous round.

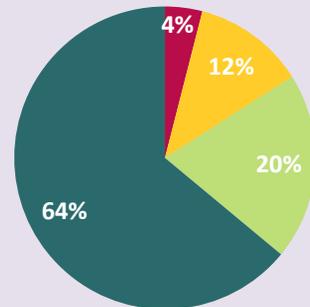
Better current conditions as well as improved expectations about near-term prospects with ebbing of the second wave of the pandemic backed the optimism level. Improved levels of sanguinity amongst industry members has buoyed their near-term outlook on all major operational parameters. Outlook on all major parameters including investments, sales, profits, employment and exports noted an improvement.

However, rising raw material prices and weak demand continue to be major impediments. The proportion of respondents citing weak demand situation as a constraining factor witnessed some moderation but remained at elevated levels - with about 67% stating the same in the latest survey round. This was slightly lower than the proportion of respondents (70%) who reported weak demand as major constraint in the previous round.

Are you wary of the impending third wave of the pandemic?



What percentage of your employees are at least partially vaccinated?



A whopping majority of the participating companies are wary about the looming third wave of the pandemic. Around 90% of the respondents said that they are worried about another wave of infections as it would once again lead to massive disruptions. This was despite a high proportion of employee vaccinations (at least one dose) being reported by participating companies. About 64% of the respondents stated that over 75% of their employees are at least partially vaccinated. This number further increases to 84% when over 50% of the workforce in these organizations is taken into consideration. However, participants of the survey asserted that they are taking specific measures to deal with an impending third wave.

Comment

The latest data point for IIP for the month of July 2021 is on expected lines. The strong sequential recovery during the month indicates continuation of momentum seen with the staggered lifting of the partial lockdowns since June post the second wave of the pandemic. The build up in momentum is also mirrored in the performance of the incoming lead indicators. However, we still remain away from the pre-covid levels, and the real picture would come out when the base effect wears off. Moreover, the weak consumption and rise in raw material prices continue to challenge the growth prospects. There is also uncertainty around the subsequent waves. As businesses have no choice but to remain cautious, continued support from the government and the central bank will remain critical.