

IIP takes a break

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IIP growth slowed down on year end

Growth in the index of industrial production (IIP) slowed to 4.4% on-year in March 2018, after having grown over 7% plus average, in the previous four months. Core sectors have been consistently losing steam. Growth in the economy's eight core sectors, which make up about 40% of total industrial production, slowed to 4.1% in March, from 5.3% in February and 6.1% in January. Growth in the non-core sectors too slipped during the month. Separately, trade data reported a slowdown in non-oil exports in March. That said, an unfavorable base effect was also behind the slowdown in IIP growth in March. Overall, IIP growth for fiscal 2018 as a whole was stagnant at 4.4% (same as in fiscal 2017). While manufacturing sector displayed some improvement (growing by 4.4% over 3.3% in fiscal 2017), the overall stagnancy was on account of a subdued performance of the electricity and mining sectors.

Data readings

- Industrial activity lost some steam, after having turned in a steady performance in past few months. IIP growth was down to 4.4% in March, from an average 7.6% in the previous four months – the best performance phase of IIP in last fiscal. The slowdown in IIP was in tandem with a slower manufacturing (the largest contributor to IIP with 77.6% weight) sector growth, which fell sharply to 4.4%, from 8.5% in February. On the contrary, mining and electricity sectors – which had been slowing down in previous months – displayed an improvement, growing by 2.8% and 5.9% respectively.
- Within manufacturing, only 11 out of 23 industry groups showed positive growth on an annual basis. Sectors which displayed high positive growth were, 'furniture', growing by 41.5%, followed by 'food products', which was up 20.6%, and 'motor vehicles, trailers and semi-trailers', which clocked a growth rate of 17.2%. Sectors that displayed high negative growth were, 'other manufacturing' (-30.7%), followed by 'tobacco products' (-20.6%) and 'wearing apparel' (-18.6%). From the end-use perspective, growth in both the industrial and investment-oriented manufacturing sectors and the consumer-oriented sectors (accounting for 37% of the manufacturing sector IIP) slowed down. While the former saw growth declining to 1.6% from 4.5%, in the latter slowed to 2.0% from 2.5%.
- According to the use-based classification, capital goods sector was once again in red, growing by -1.8%. Infrastructure and construction goods sector displayed the highest growth (8.8%) amongst all user categories, but was lower than previous month's 12.6%. The only segment which saw its growth improving in March was consumer non-durable goods (10.9% from 7.3%).

IIP: Performers and laggards

% (y-o-y)	Weight %	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Q4 FY17	Q4 FY18
General	100.0	4.8	4.1	1.8	8.5	7.3	7.4	7.0	4.4	3.0	6.2
Mining	14.4	9.3	7.6	-0.2	1.4	1.2	0.2	-0.4	2.8	7.8	0.9
Manufacturing	77.6	3.8	3.8	2.0	10.4	8.7	8.6	8.5	4.4	2.1	7.2
Electricity	8.0	8.3	3.4	3.2	3.9	4.4	7.6	4.5	5.9	4.2	6.0
Use-based classification											
Primary	34.1	7.1	6.6	2.4	3.3	3.8	5.8	3.7	2.9	3.5	4.1
Capital	17.2	7.3	8.7	3.5	5.7	13.2	12.8	19.5	-1.8	2.1	10.2
Intermediates	8.2	-0.5	2.1	0.2	6.5	7.5	4.9	3.2	2.1	2.9	3.4
Infrastructure & Construction	12.3	2.7	0.5	5.8	13.7	6.5	7.0	12.6	8.8	0.6	9.4
Consumer Durables	12.8	4.3	-4.1	-9.0	3.1	2.1	7.8	7.5	2.9	-2.4	6.0
Consumer non-durables	15.3	7.2	10.5	8.2	23.7	16.8	11.0	7.3	10.9	9.2	9.8
Contraction		Growth slowing		Growth rising							

Source: CSO, CRISIL Research

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