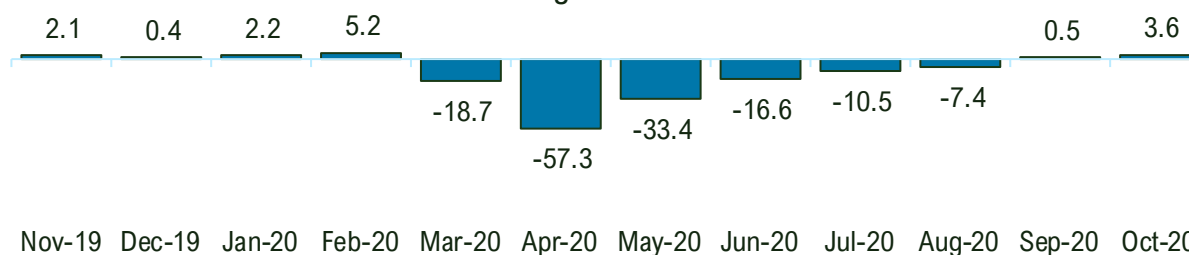


IIP-Oct'20: Positive surprise; unlikely to continue, though

Buoyed by pent-up demand and festival sales, industrial growth during Oct'20, at 3.6%, ran ahead of expectations, but is unlikely to continue. We do not expect any change in monetary or fiscal measures.

- Industrial production growth during Oct'20 at 3.6% crossed expectations. Electricity generation grew a sharp 11.2%; and manufacturing, 3.5%. Mining, however, recorded a 1.5% contraction.
- Of the use-based categories, durables clocked the fastest growth, 17.6%. Capital goods also recorded positive growth (3.3%), the first in 22 months. Only primary goods contracted during Oct'20. Intermediate goods registered subdued growth during the month.
- Industrial recovery during Oct'20 was broad-based. Of 23 categories in manufacturing, 14 recorded year-over-year growth, while 21 registered better performances in Oct'20 than in Sep'20.
- During the month, railway-related equipment, automobile and electrical equipment recorded the best growth rates. Overall, for the financial year so far, pharma, chemicals and food products are the best performing segments, while apparel and beverages are the worst performing.
- In terms of latest industrial growth, India has had the third best performance of the G 20 countries, behind Turkey and China. On a year-to-date basis, however, India is the worst performing of the G 20 countries.
- Pent-up demand during the lock-down for durables coincided with festival sales, leading to robust growth. While this has been ahead of expectations, the pace is unlikely to persist.
- Positive surprise on the growth side coupled with higher-than-expected inflation would constrain the RBI from carrying out further monetary accommodation in the near term. However, given the early phase of the recovery and the possibility of a growth dip, a reversal of the current accommodation is unlikely. At the same time, we do not expect any fiscal accommodation during the current year.

IIP growth



Sujan Hajra
Chief Economist

Economy Data release/
Event Note

India I Equities
11 December, 2020

IIP growth

	Oct'20	YTD (FY)	Oct'19
IIP	3.6	-17.5	-6.6
Mining	-1.5	-13.3	-8.0
Manufacturing	3.5	-19.7	-5.7
Electricity	11.2	-5.6	-12.2
Primary Goods	-3.3	-12.7	-6.0
Capital Goods	3.3	-34.4	-22.4
Intermediate	0.8	-19.7	8.7
Infra	7.8	-20.8	-9.7
Durables	17.6	-31.8	-18.9
Staples	7.5	-5.9	-3.3

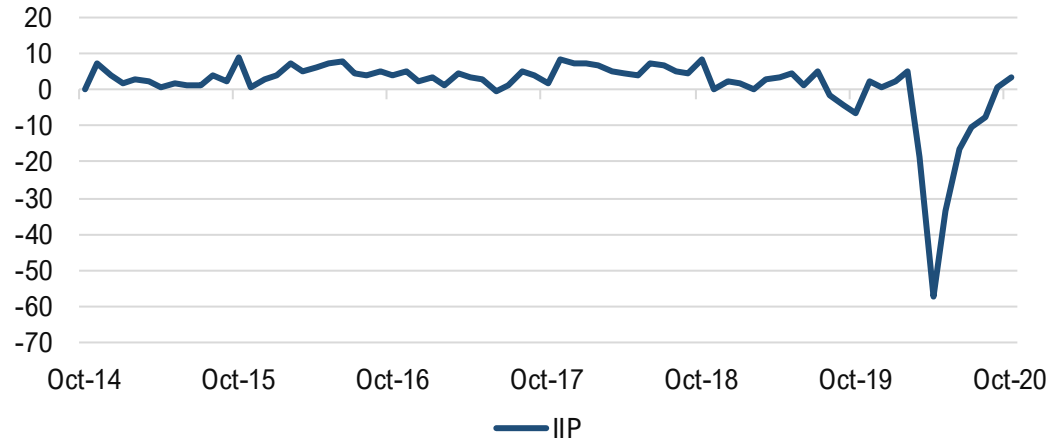
Industrial growth: India vs. peers

	Oct'20	Sep'20	Aug'20
Argentina	-2.9	3.7	-7.0
Brazil	0.3	3.7	-2.5
China	6.9	6.9	5.6
France	-6.7	-3.3	-7.3
Germany	-2.2	-3.2	-11.2
India	3.6	0.5	-7.4
Indonesia
Italy	..	-2.1	-0.3
Japan	-3.2	-9.0	-13.8
Mexico	..	-6.2	-8.8
Russia	-5.9	-3.6	-4.2
South Africa	-3.4	-1.9	-10.2
South Korea	-2.2	8.1	-2.7
Turkey	..	11.2	16.1
UK	-6.2	-3.4	-7.4
US	-5.4	-7.5	-6.8

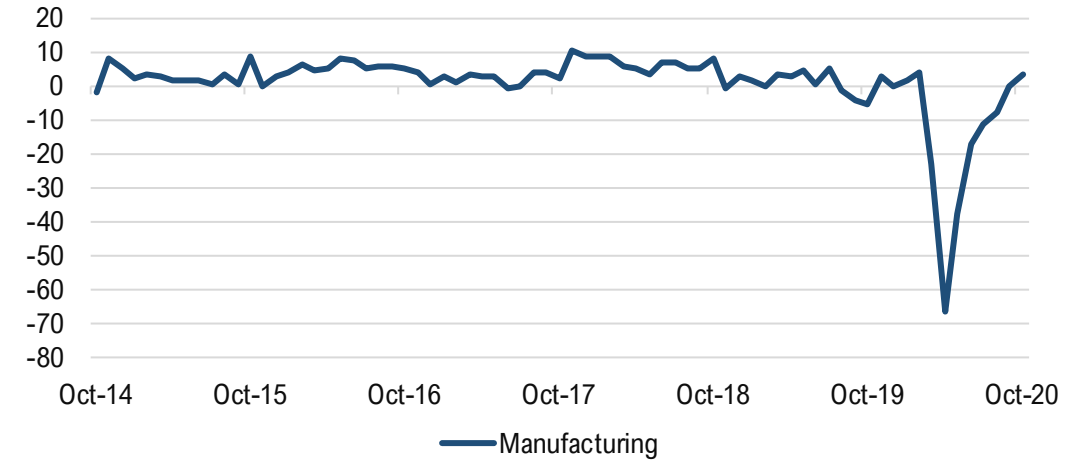
Industry registered a V-shaped recovery

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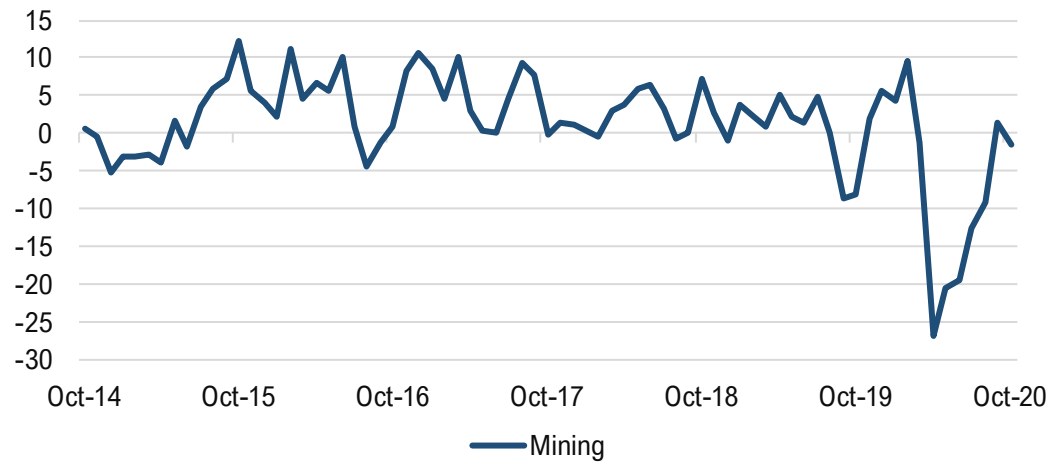
IIP growth for the month of Oct'20 was at 3.6%



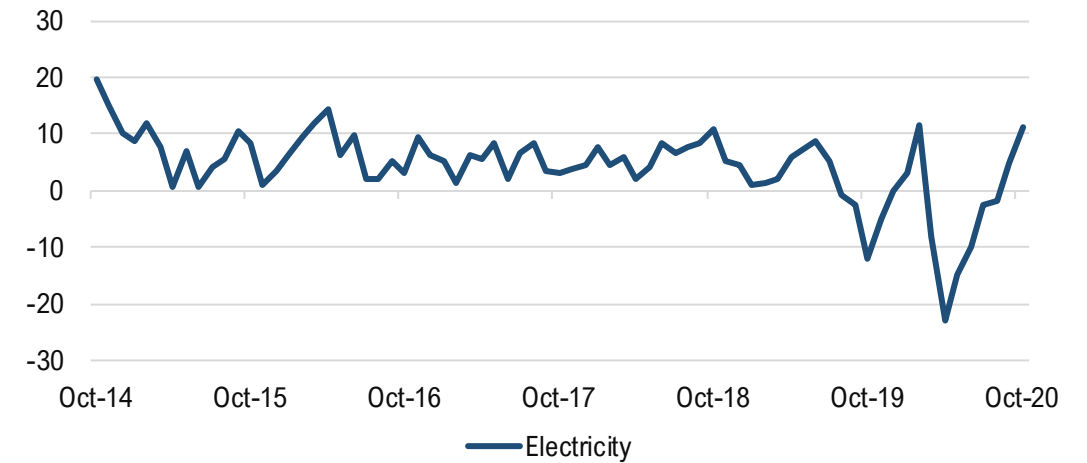
Manufacturing growth for the month of Oct'20 was at 3.5%



Mining growth for the month of Oct'20 was at -1.5%



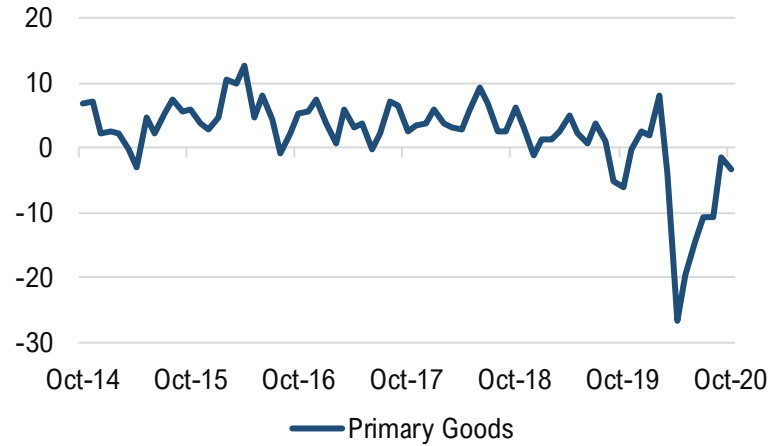
Electricity growth for the month of Oct'20 was at 11.2%



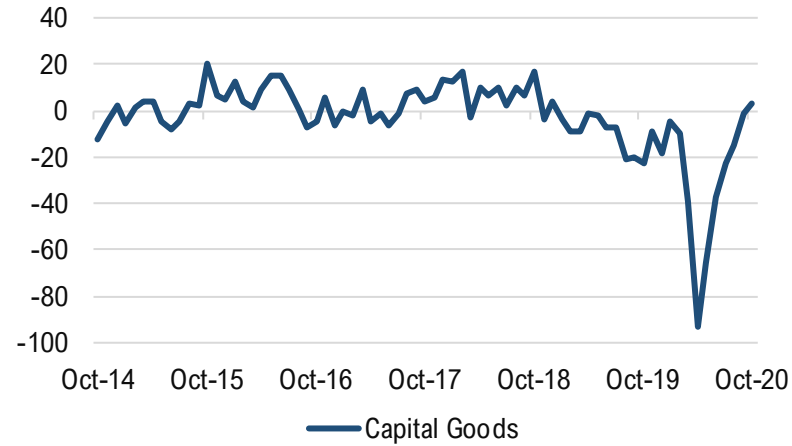
Laggard sectors bouncing back faster

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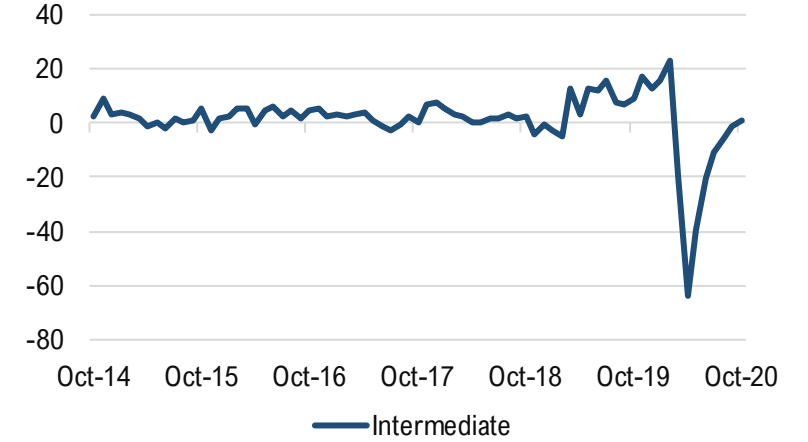
Primary Goods growth for the month of Oct'20 was at -3.3%



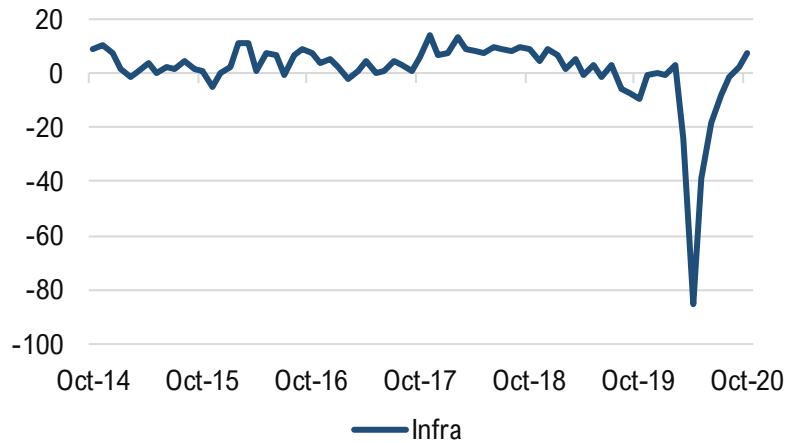
Capital Goods growth for the month of Oct'20 was at 3.3%



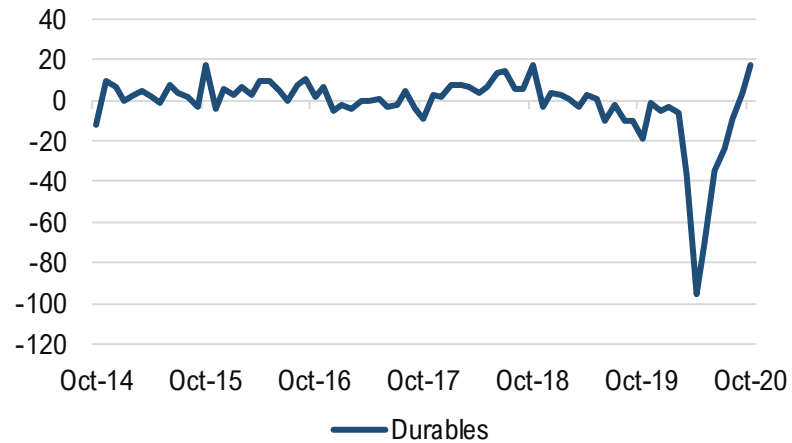
Intermediate growth for the month of Oct'20 was at 0.8%



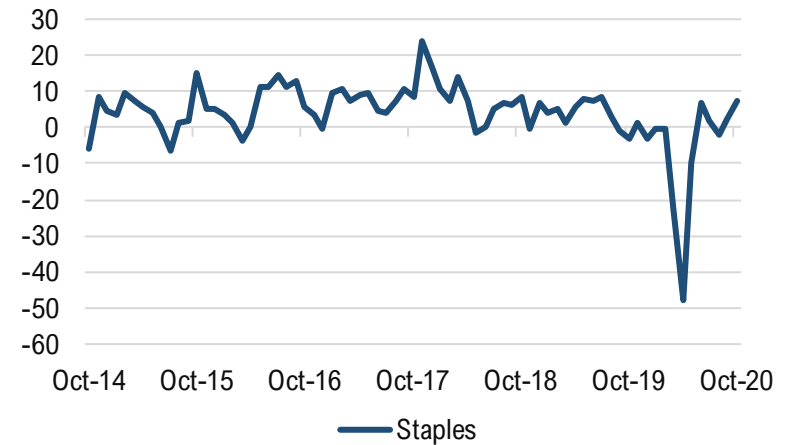
Infra growth for the month of Oct'20 was at 7.8%



Durables growth for the month of Oct'20 was at 17.6%



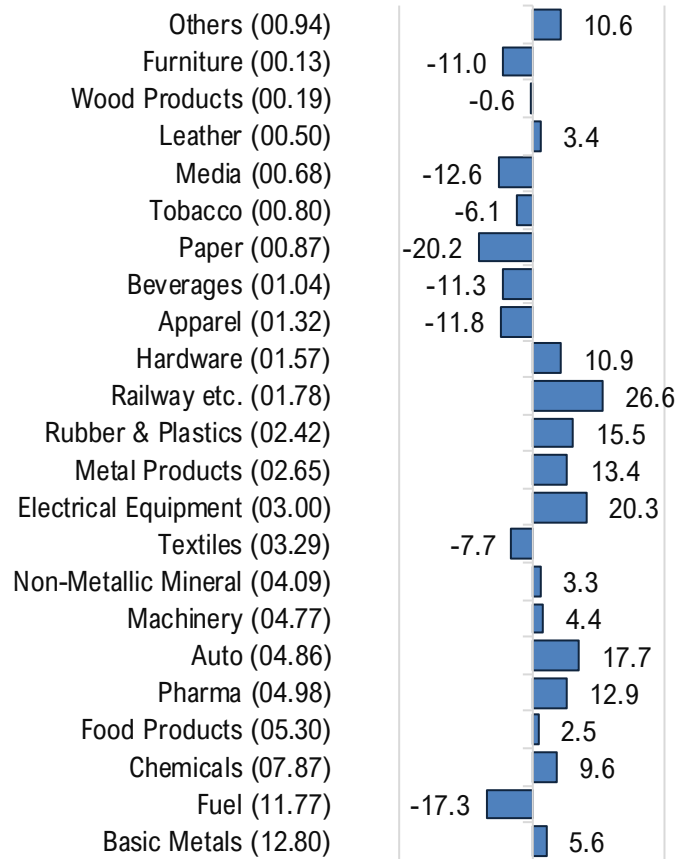
Staples growth for the month of Oct'20 was at 7.5%



Broad-based manufacturing recovery

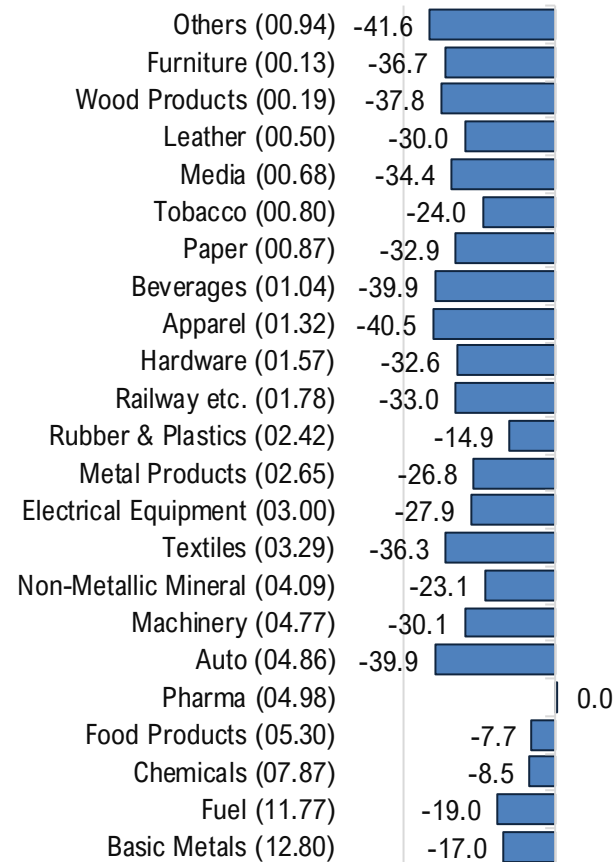
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Among the 23 categories within manufacturing 14 recorded growth in Oct'20 while 9 recorded contractions, 21 categories did better in Oct'20 versus Sep'20



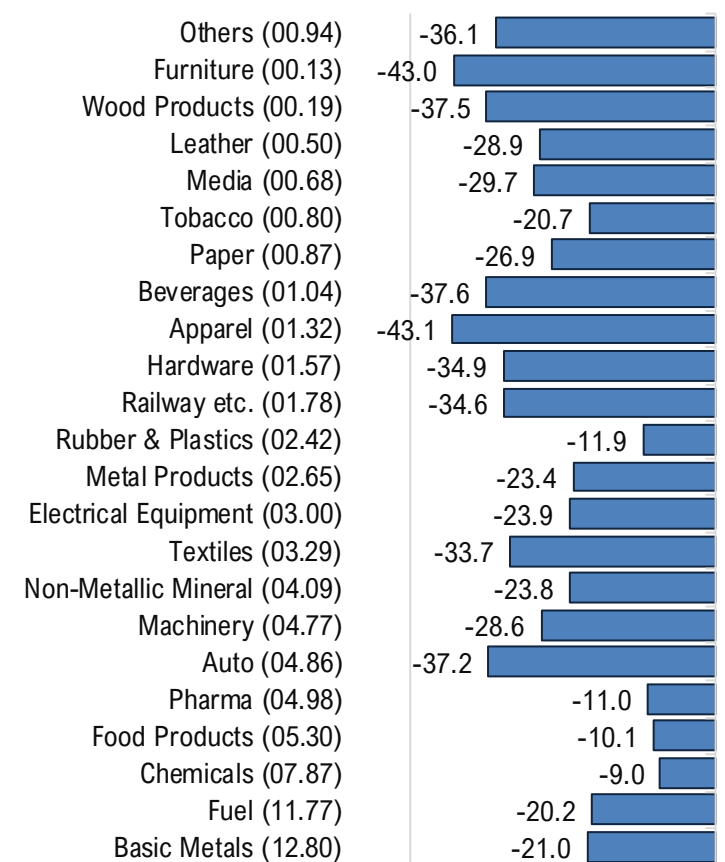
Note: Figures in brackets are category weights

During the current financial year till Oct'20 three best performing sectors are Pharma, Food Products and Chemicals while Others, Apparel and Beverages were worst performers



Note: Figures in brackets are category weights

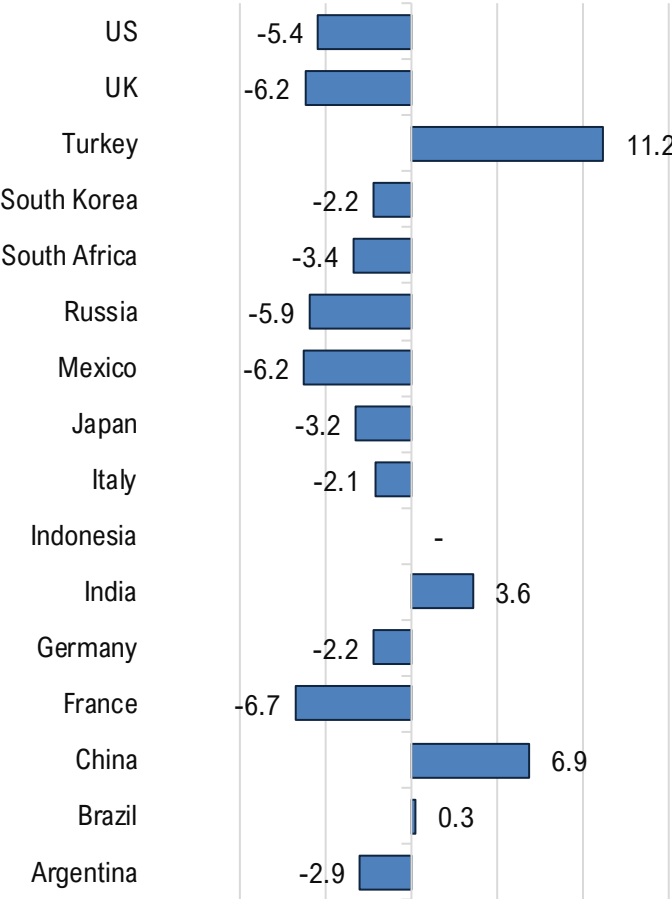
During the current financial year till Oct'20 three best performing sectors versus long-term growth are Chemicals, Food Products and Pharma while Apparel, Furniture and Beverages were worst performers



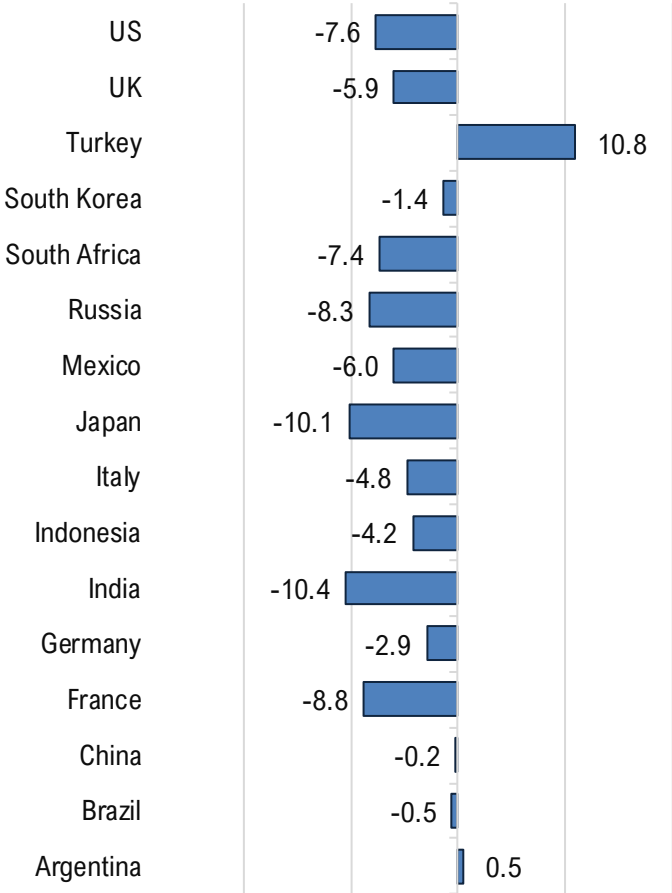
Note: Figures in brackets are category weights

India recorded the best PMI score

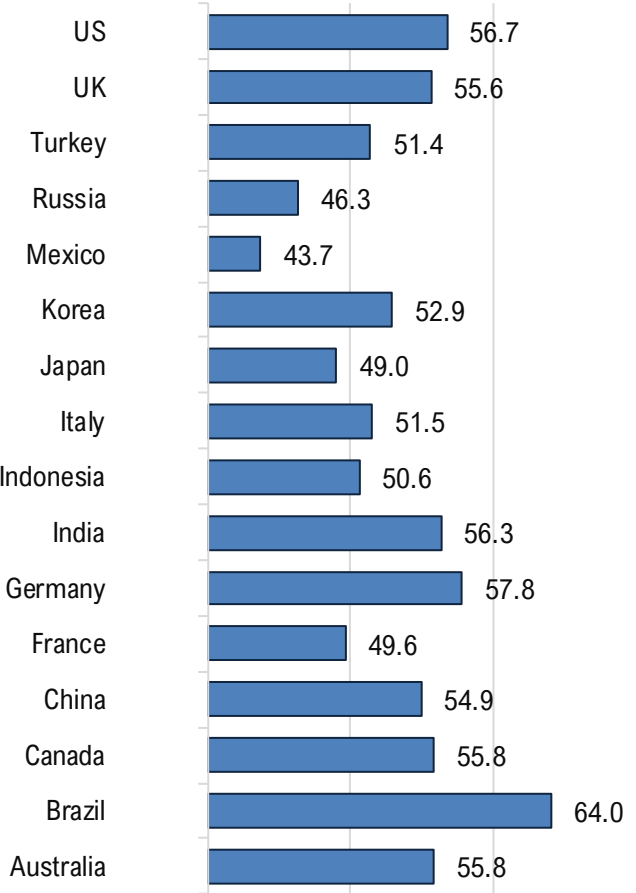
The latest industrial growth for G-20 (data available for 16) countries show that only 4 recorded positive growth. The worst performer was France and the best performer Turkey. India ranked 3



YTD industrial growth for G-20 (data available for 16) countries show that 14 recorded worsening over last year. The worst performer was India and the best performer Turkey. India ranked 16



The PMI Markit (manufacturing) survey for G-20 (data available for 16) countries show that only 12 are in expansion zone. The worst performer was Mexico and the best performer Brazil



Among the IIP components, Electricity was the best performing and Mining the worst while among the use-based categories, Durables was the best Primary Goods the worst

	Oct'20	Sep'20	Aug'20	YTD (FY)	Oct'19	Sep'19	Aug'19
IIP	3.6	0.5	-7.4	-17.5	-6.6	-4.6	-1.4
Mining	-1.5	1.4	-9.0	-13.3	-8.0	-8.6	-
Manufacturing	3.5	-0.2	-7.9	-19.7	-5.7	-4.3	-1.7
Electricity	11.2	4.9	-1.8	-5.6	-12.2	-2.6	-0.9
Primary Goods	-3.3	-1.5	-10.8	-12.7	-6.0	-5.2	1.0
Capital Goods	3.3	-1.3	-14.8	-34.4	-22.4	-20.5	-20.9
Intermediate	0.8	-1.0	-6.0	-19.7	8.7	6.8	7.3
Infra	7.8	2.5	-1.6	-20.8	-9.7	-7.0	-5.7
Durables	17.6	3.4	-9.6	-31.8	-18.9	-10.5	-9.7
Staples	7.5	2.4	-2.3	-5.9	-3.3	-1.1	3.1

The latest industrial growth for G-20 (data available for 16) countries show that only 4 recorded positive growth. The worst performer was France and the best performer Turkey. India ranked 3

	Oct'20	Sep'20	Aug'20	YTD (CY)	Sep'19	Aug'19	Jul'19
Argentina	-2.9	3.7	-7.0	-6.5	-1.8	-5.0	-6.4
Brazil	0.3	3.7	-2.5	-2.5	1.3	1.2	-2.0
China	6.9	6.9	5.6	4.8	4.7	5.8	4.4
France	-6.7	-3.3	-7.3	-7.0	0.2	3.1	-4.2
Germany	-2.2	-3.2	-11.2	-5.4	-4.6	-0.6	-7.0
India	3.6	0.5	-7.4	-9.0	-6.6	-4.6	-1.4
Indonesia	-	6.7	4.5	4.0
Italy	..	-2.1	-0.3	-5.3	-2.0	1.2	-4.4
Japan	-3.2	-9.0	-13.8	-11.4	-8.2	1.2	-5.5
Mexico	..	-6.2	-8.8	-7.5	-3.3	-1.7	-1.2
Russia	-5.9	-3.6	-4.2	-4.4	4.3	4.9	3.8
South Africa	-3.4	-1.9	-10.2	-7.3	-0.4	-2.3	-1.3
South Korea	-2.2	8.1	-2.7	-2.3	-0.8	1.8	-2.4
Turkey	..	11.2	16.1	9.4	2.8	4.1	-1.7
UK	-6.2	-3.4	-7.4	-6.4	-0.3	0.5	-4.2
US	-5.4	-7.5	-6.8	-6.9	-0.9	-0.2	0.3

During the current financial year till Oct'20 three best performing sectors are Pharma, Food Products and Chemicals while Others, Apparel and Beverages were worst performers

	Oct'20	Sep'20	Aug'20	YTD (FY)	Oct'19	Sep'19	Aug'19
Basic Metals	5.6	5.1	1.4	-17.0	9.1	8.4	11.8
Fuel	-17.3	-10.4	-21.4	-19.0	0.7	-5.3	3.3
Chemicals	9.6	5.6	-0.9	-8.5	-1.5	-1.2	-4.5
Food Products	2.5	-1.2	-2.2	-7.7	-4.9	1.3	5.5
Pharma	12.9	6.8	-1.6	0.0	-0.2	-2.1	6.4
Auto	17.7	4.0	-11.7	-39.9	-30.0	-26.0	-25.0
Machinery	4.4	-1.4	-8.7	-30.1	-18.9	-18.3	-22.0
Non-Metallic Mineral	3.3	-7.4	-12.5	-23.1	-9.2	-2.3	-4.7
Textiles	-7.7	-10.4	-17.7	-36.3	-3.6	-5.3	-7.6
Electrical Equipment	20.3	11.9	-12.8	-27.9	-5.1	1.3	-0.4
Metal Products	13.4	6.5	-4.4	-26.8	-20.2	-22.8	-19.1
Rubber & Plastics	15.5	9.1	-2.6	-14.9	-16.0	-12.8	-8.1
Railway etc.	26.6	7.3	-2.6	-33.0	-19.1	-8.6	-11.9
Hardware	10.9	-6.7	-11.0	-32.6	-31.0	-10.8	-2.0
Apparel	-11.8	-15.6	-23.0	-40.5	-2.8	1.4	8.6
Beverages	-11.3	-14.9	-21.1	-39.9	-6.5	-3.9	-6.0
Paper	-20.2	-29.8	-16.7	-32.9	-15.5	-9.3	-13.3
Tobacco	-6.1	-15.3	3.6	-24.0	-6.8	11.7	3.6
Media	-12.6	-19.4	-23.1	-34.4	-17.7	-8.4	-10.6
Leather	3.4	3.2	-9.9	-30.0	-7.2	-0.6	-4.9
Wood Products	-0.6	-11.0	-32.4	-37.8	1.9	20.1	12.6
Furniture	-11.0	-10.4	-17.1	-36.7	-12.7	-22.4	-3.4
Others	10.6	-24.5	-31.3	-41.6	-26.2	-7.6	-21.1

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