

Industrial growth rebounds in Feb, will slip in March

Industrial growth rose to a 7-month high of 4.5% in Feb'20 from 2.1% in Jan'20. The acceleration was led by mining at 10% and electricity at 8.1%. Manufacturing output was also higher at 3.2%. Consumption and investment were weak. Next few readings will see a large decline as impact of lockdown will be visible. Barring pharma and a few essential goods, most capacity as of now is lying idle. However, manufacturing sector is likely to rebound faster as shop floors adjust to social distancing. Services sector will take longer.

Sameer Narang

Jahnvi | Dipanwita Mazumdar

chief.economist@bankofbaroda.com

IIP growth accelerates: Industrial output rose by 4.5% in Feb'20 to its highest in 7-months, from 2.1% in Jan'20. The acceleration was led by mining which expanded by 10% from 4.4% in Jan'20, followed by electricity at 8.1% from 3.1% in Jan'20. Manufacturing output also improved to an increase of 3.2% from 1.6% in Jan'20. Within manufacturing, basic metals (increased by 18%), chemicals products (up by 8%) and other non-metallic products (up by 8%) were the biggest contributors to growth. In Q4FY20 so far (Jan-Feb'20), industrial growth has improved to 0.9% versus (-) 1.6% in Q3. The revival is driven by all three components: electricity output at 1.5% versus decline of 6% in Q3, mining at 1.9% versus drop of 0.1% in Q3 and manufacturing at 0.6% versus dip of 1.3% in Q3.

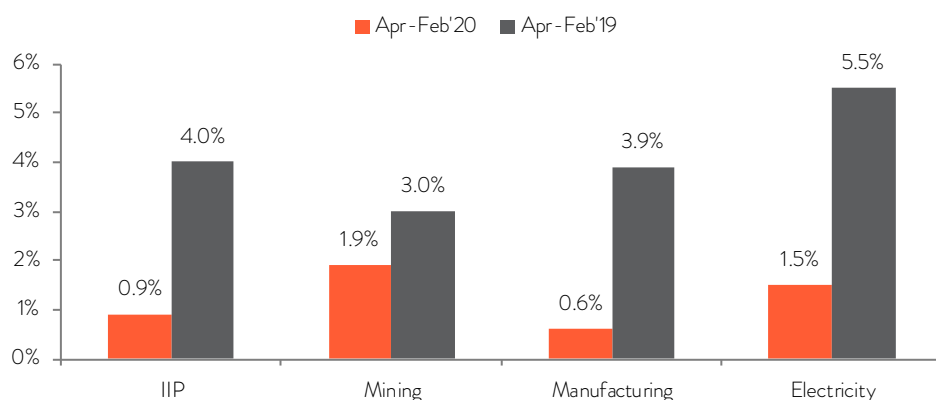
Intermediate and primary goods supported growth: Intermediate goods output rose by 22.4% in Feb'20 versus 15.8% in Jan'20 within which MS slabs, fragrances/oil essentials were the biggest contributor to growth. Primary goods output also rose by 7.4% versus 1.8% in Jan'20 led by electricity and refinery products. Infrastructure & construction goods rose by 0.1% versus a decline of 2.2% in Jan'20. FMCG output remained flat compared to a contraction of 0.3% in Jan'20. Capital and consumer durables both declined sharply by 9.7% in Feb'20 compared with a fall of 4.3% in Jan'20 and 6.4% versus a decline of 4% in Jan'20 respectively.

Industrial output to decline: With most manufacturing facilities apart from essential goods in the country under lockdown to tackle the COVID-19 outbreak, industrial production will be severely impacted in the coming days and weeks. Resumption will be gradual and normalcy will be returned in a phased manner. Given the above backdrop, we believe industrial output will see a decline in Q1FY21.

KEY HIGHLIGHTS

- IIP rose to 4.5% in Feb'20 versus 2.1% in Jan'20.
- Led by mining, electricity, primary and intermediate goods.
- COVID-19 to impact growth lower in near term.



FIG 1 – BROAD BASED SLOWDOWN

Source: CEIC, Bank of Baroda Research

FIG 2 – IIP GROWTH REBOUNDS IN JAN'20

Sectoral (%)	Weight	Feb-20	Jan-20	Feb-19	Apr-Feb'20	Apr-Feb'19
IIP	100.0	4.5	2.1	0.2	0.9	4.0
Mining	14.4	10.0	4.3	2.2	1.9	3.0
Manufacturing	77.6	3.2	1.6	(0.3)	0.6	3.9
Electricity	8.0	8.1	3.1	1.3	1.5	5.5
Use-Based						
Primary Goods	34.1	7.4	1.8	1.3	1.1	3.6
Capital Goods	8.2	(9.7)	(4.3)	(9.3)	(11.4)	4.1
Intermediate Goods	17.2	22.4	15.8	(5.0)	12.2	(0.3)
Infrastructure and Construction Goods	12.3	0.1	(2.2)	1.9	(2.1)	7.5
Consumer Durables Goods	12.8	(6.4)	(4.0)	0.9	(6.2)	6.4
Consumer Non-Durables Goods	15.3	0.0	(0.3)	5.0	2.0	4.3

Source: CEIC, Bank of Baroda Research

Disclaimer

The views expressed in this research note are personal views of the author(s) and do not necessarily reflect the views of Bank of Baroda. Nothing contained in this publication shall constitute or be deemed to constitute an offer to sell/ purchase or as an invitation or solicitation to do so for any securities of any entity. Bank of Baroda and/ or its Affiliates and its subsidiaries make no representation as to the accuracy; completeness or reliability of any information contained herein or otherwise provided and hereby disclaim any liability with regard to the same. Bank of Baroda Group or its officers, employees, personnel, directors may be associated in a commercial or personal capacity or may have a commercial interest including as proprietary traders in or with the securities and/ or companies or issues or matters as contained in this publication and such commercial capacity or interest whether or not differing with or conflicting with this publication, shall not make or render Bank of Baroda Group liable in any manner whatsoever & Bank of Baroda Group or any of its officers, employees, personnel, directors shall not be liable for any loss, damage, liability whatsoever for any direct or indirect loss arising from the use or access of any information that may be displayed in this publication from time to time.

Visit us at www.bankofbaroda.in



For further details about this publication, please contact:

Economics Research Department

Bank of Baroda

chief.economist@bankofbaroda.com