

IIP y-o-y growth at 29.3 percent in May 2021; sequential numbers continue to report a decline for second consecutive month

Industrial Performance- Economic Activity - Growth (% YoY)				
Month	IIP	Mining & quarrying	Manufacturing	Electricity
	(Wt=100.00)	(Wt=14.37)	(Wt=77.63)	(Wt=7.99)
May-20	-33.4	-20.4	-37.9	-14.9
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	5.9	28.3	22.5
Apr-21	134.6	36.3	197.9	38.5
May-21	29.3	23.3	34.5	7.5

Industrial Performance- Use Based- Growth (% YoY)							
	Primary goods	Capital goods	Intermediate goods	Infrastructure/construction goods	Consumer goods	Consumer durables	Consumer non-durables
	(Wt=34.05)	(Wt=8.22)	(Wt=17.22)	(Wt=12.34)	(Wt=28.17)	(Wt=12.84)	(Wt=15.33)
May-20	-19.6	-65.9	-39.7	-39.0	-35.7	-70.3	-9.7
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	-5.6	-3.5	0.3	6.7	-3.8
Mar-21	7.8	48.4	23.2	35.0	39.8	55.1	31.2
Apr-21	36.8	1042.9	212.3	596.1	201.0	1880.0	94.9
May-21	15.8	85.3	55.2	46.8	20.1	98.2	0.8

Source: CMIE

- The index of industrial production posted a y-o-y growth of 29.3 percent in the month of May 2021 – posting positive growth for the third consecutive month but losing momentum compared to the previous month on back of weaning base effect. Nonetheless, one can't read too much into these numbers yet.
- On a month-on-month basis, the overall index reported a contraction by -8.0 percent in May 2021, marginally lower than the sequential decline of -12.9 percent witnessed in April 2021. The months of April/May saw peak rise in the number of cases and the hit on industrial activity albeit limited this time around has been on expected lines. An uptick started becoming apparent between the last week of May and first two weeks of June.
- According to economic activity classification of the index, out of the three broad heads, the mining and quarrying sector reported a positive 0.6 percent growth in May 2021 on a sequential basis. While manufacturing (-9.5 percent) and electricity (-7.0 percent) segments continued to report a deceleration for the second consecutive month on a m-o-m basis in May 2021. In fact, the slippage in the electricity segment was a tad higher compared to a m-o-m decline of 3.3 percent reported in April.
- Furthermore, as per the use-based classification, all five subsegments – primary goods, capital goods, intermediate goods, infrastructure and consumer goods continued to report negative growth in May 2021 vis-à-vis April 2021. Nonetheless, some moderation has been noted in the extent of decline - except in case of consumer durables segment. The latter segment reported a m-o-m contraction by 27.7 percent in May 2021, vis-à-vis 15.6 percent m-o-m decline noted in April 2021.
- The income losses/increased expenditure on account of health is keeping the demand situation muted. The consumers have been postponing the expenditure especially on durable items such as air conditioners, passenger cars, auto components, refrigerators etc. This along with rising input costs has further elevated the challenges being faced by the players in the sector.

Investments By All Projects

Quarter ended	New investment projects announced - Rs billion	Investment projects completed - Rs billion	New investment projects announced		Investment projects completed	
			Government	Private sector	Government	Private sector
Jun-19	1705.4	896.5	1044.2	661.2	245.6	650.9
Sep-19	3390.0	856.0	2369.2	1020.7	343.3	512.7
Dec-19	7495.2	1709.4	3147.8	4347.4	428.3	1281.1
Mar-20	4087.5	1701.9	1774.8	2312.7	1035.6	666.3
Jun-20	1576.2	367.1	1069.4	506.8	191.3	175.8
Sep-20	1956.6	763.9	716.4	1240.2	595.1	168.8
Dec-20	1248.1	851.9	266.8	981.3	337.0	514.8
Mar-21	1806.2	1098.3	456.6	1349.6	859.2	239.0
Jun-21	1750.5	556.1	446.7	1303.8	288.9	267.2

Source: CMIE

The investment activity has been slow and there have been delays in project completions. CMIE had anticipated that 849 projects would get commissioned during the quarter ended June 2021 and cost was available for 442 projects. These envisaged an investment of Rs.2 trillion. Compared to this expectation of 849 projects worth Rs.2 trillion getting completed in the quarter ended June 2021, available information as of July 12, 2021 shows a completion of only 273 projects worth Rs.556 billion – indicating an achievement of about a quarter of the expectation. The second wave of the pandemic has slowed the project implementation. With data for the first quarter yet to come in, CMIE forecasts that projects worth Rs.1.1 trillion would be commissioned during the June 2021 quarter.

Comment

The industrial activity continues to remain under strain. Although the effects of the first two waves is gradually waning off, there is still uncertainty surrounding the third wave. Also, weak demand and rising input prices is challenging businesses in a big way. The recent relief measures announced by the Hon'ble Finance Minister on June 28, 2021 were much awaited especially for the travel and tourism sectors. The enhancement of the ECLGS Scheme, the new credit guarantee scheme for MFIs are also positive measures.

However to giving a further boost to recovery calls for supporting demand. FICCI has made several suggestions in this regard including the need to extend MGNREGA to urban areas, direct cash transfers to the vulnerable sections of society, issuance of consumption vouchers for driving demand in the near term etc. There is a need to rebuild confidence amongst the people so that the consumption demand gains traction on a sustained basis. We hope that some of these suggestions find consideration by the Government and we look forward to more announcements in the times ahead.