

IIP growth drops by a massive 16.7 percent in March 2020

Industrial Performance- Growth (%YoY)

	Mar-19	Jan-20	Feb-20	Mar-20*	FY19	FY20
By Economic Activity						
Index of Industrial Production	2.7	2.1	4.6	-16.7	3.8	-0.7
Mining	0.8	4.3	9.7	0.0	2.9	1.7
Manufacturing	3.1	1.6	3.1	-20.6	3.9	-1.3
Electricity	2.2	3.1	11.5	-6.8	5.2	1.1

	Mar-19	Jan-20	Feb-20	Mar-20*	FY19	FY20
By Usage						
Primary goods	2.6	1.8	8.3	-3.1	3.5	0.8
Capital goods	-9.1	-4.3	-9.5	-35.6	2.7	-13.7
Intermediate goods	12.4	15.9	19.4	-18.5	0.9	8.8
Infrastructure / construction goods	5.1	-2.3	-0.1	-23.8	7.3	-4.0
Consumer durables	-3.2	-3.8	-5.8	-33.1	5.5	-8.4
Consumer non-durables	1.4	-0.3	1.5	-16.2	4.0	0.5

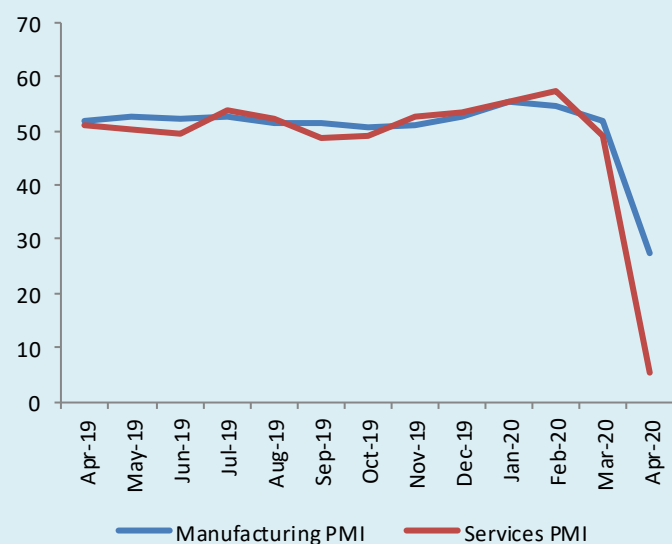
*quick estimates

All manufacturing sub-segments report negative growth in Mar'20

Manufacturing Sub-segments witnessing negative growth in Mar 2020 by weight	Weight	Mar 2020	Feb 2020
Basic Metals	12.8	-18.6	18.4
Coke and refined petroleum products	11.8	-1.8	6.1
Chemicals and chemical products	7.9	-26.5	0.9
Food Products	5.3	-10.5	-1.1
Pharmaceuticals, medicinal chemical and botanical products	4.9	-18.8	3.1
Motor Vehicles, Trailers & Semi Trailers	4.8	-49.6	-15.6

- ❖ Latest IIP numbers released for the month of March 2020 reported a negative growth of 16.7 percent. The sharp fall in growth was anticipated as the first round of effects of Covid 19 pandemic started impacting the country during the month of March.
- ❖ While for a good part of the month the impact was felt indirectly through broken logistics and trade linkages, the consequences became more dire with the imposition of a 21-day lockdown beginning March 25, 2020. As the country continues to be under lockdown – which has been extended twice since– the on-ground situation for industry especially the MSMEs has been worrisome. Despite some relaxations made for Green and Orange Zones, significant operational challenges have been reported by industry members.
- ❖ As per Economic Activity wise classification of IIP, all the three broad segments - mining, manufacturing and electricity segments - reported a deterioration in growth numbers during March 2020. The growth in manufacturing sector declined by 20.6 percent.
- ❖ According to used based classification as well – all major sub segments noted a significant fall in growth. The capital goods segment continued to contract for the fifteenth straight month – reporting a (-) 35.6 percent fall in March 20 vis-à-vis March'19.
- ❖ On a sequential basis, IIP growth declined by (-)10.0 percent in March 2020.

India IHS Markit Index – Manufacturing & Services



Source: Economic Outlook CMIE

Impact of Covid -19 Pandemic

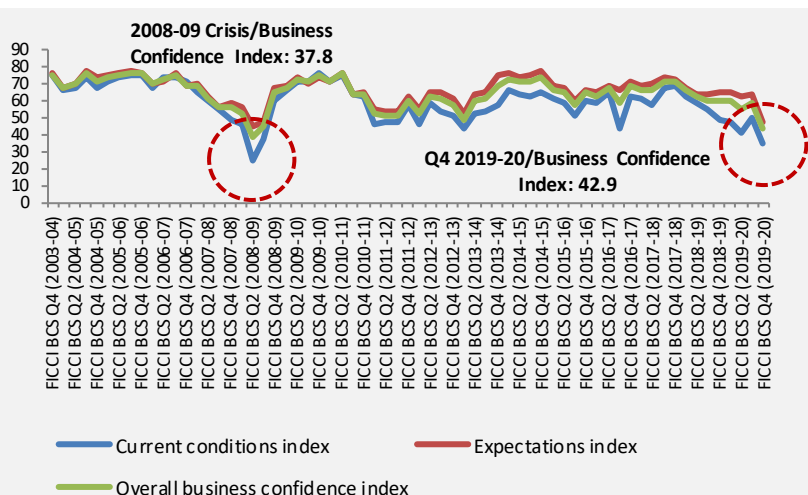
10 States have over 90 percent of the cases and have significant economic dependence on industry & services sector

Estimates show that green zones (where economic activities have been largely relaxed) account for less than one-fifth of India's overall economic activities, whereas the red zones (with maximum restrictions) account for more than half of India's economic activities

The 40 days lockdown is likely to have caused economic loss of Rs 14-16 lakh crore

S no	Top 10 states with Covid-19 positive cases	Districts in Red & Orange Zone as % of Total Number of Districts	Share of Industry & Services Sector in GSDP (in %)	MSMEs in State/Total MSMEs (in %)
1	Maharashtra	83.3	85.4	8.0
2	Gujarat	84.8	80.8	5.0
3	Delhi	100.0	98.2	1.5
4	Tamil Nadu	97.3	88.4	8.0
5	Rajasthan	81.8	64.6	4.0
6	Madhya Pradesh	53.8	62.6	4.0
7	Uttar Pradesh	73.3	75.6	14.0
8	Andhra Pradesh	92.3	66.5	5.0
9	Punjab	81.8	74.3	2.3
10	West Bengal	65.2	78.7	14.0

FICCI Survey : Business Confidence Index slips to its lowest levels since the Global Financial Crisis



FICCI's Overall Business Confidence Index stood at 42.9 in the latest round (April 2020) vis-à-vis an index value of 59.0 reported in the previous survey (Jan 2020).

The index value had slipped to a low of 37.8 in Q2 of 2008-09 – at time of the global financial crisis

Companies are less optimistic about their forecasts for operational parameters over the period April-September 2020

Majority of respondents continued to cite worsening of the demand situation

Comments

The fall in industrial activity numbers was on expected lines even though MOSPI suggests that the data flow from the producing units was impacted and response rate was lower.

IIP growth for the full fiscal year 2019-20 has been pulled down to (-)0.7 percent, vis-a-vis 3.8 percent growth reported in 2018-19. Further, with the lockdown continuing for a almost six weeks of the first quarter of 2020-21, the numbers are not going to get better any time soon. Even though the government is lifting the lockdown in a staggered manner and a slew of activities have been permitted, the companies are reporting operational issues. Significant variations in the application of the law have been reported. Local restrictions on movement of people still exist. Though there has been an improvement since April 20 in the movement of people related to the essential goods supply chain, however restrictions still exist from local authorities on the movement of workers inter-district and inter-state, which limit the operations of warehouses, distributors, factories and suppliers. While FICCI will continue to work with the government and looks forward to ironing out of these issues, demand side is likely to remain a constraining factor for a longer time. Significant job cuts and downward revisions in salaries are expected to keep discretionary demand muted – which will continue to manifest in lower capacity utilization rates.

FICCI has been emphasizing on the urgency of a bigger stimulus package and we are happy to note the Hon'ble PM announcing an economic package of Rs 20 lakh crore for the country. This was the need of the hour and we look forward to the detailed contours of the package in the following days.