

### IIP contracts by (-)10.4% in July 2020

- The pace of contraction in IIP growth moderated further during the month of July, 2020. The index reported a decline by 10.4 percent in July on a y-o-y basis. The corresponding number in June, 2020 was (-) 15.8 percent – which saw a revision from the earlier reported quick estimate of (-)16.6 percent growth
- The extent of recovery has been varied across sub –sectors and trend seems to be broadly in sync with the data reported on various lead indicators. While indicators such as power consumption, -way bills, FMCG sales, tractor sales have been improving sequentially, other indicators like cement production, fuel consumption, baltic dry continue to reflect a decelerating trend
- On a cumulative basis, the overall IIP growth reported a 29.6 percent fall during the first four months of the current fiscal year, vis-à-vis a growth of 3.4 percent over the same period last year

#### Industrial Performance- Economic Activity - Growth (% YoY)

Month	IIP (Wt= 100.00)	Mining & quarrying (Wt= 14.37)	Manufac turing (Wt= 77.63)	Electricity (Wt= 7.99)
Jul-19	4.9	4.9	4.8	5.3
Aug-19	-1.4	0.0	-1.7	-0.9
Sep-19	-4.6	-8.6	-4.3	-2.6
Oct-19	-6.6	-8.0	-5.7	-12.2
Nov-19	2.1	1.9	3.0	-5.0
Dec-19	0.5	5.7	-0.3	-0.1
Jan-20	2.2	4.4	1.8	3.1
Feb-20	5.2	9.6	3.8	11.5
Mar-20	-18.7	-1.3	-22.8	-8.2
Apr-20	-57.3	-26.9	-66.6	-22.9
May-20	-33.9	-20.5	-38.4	-14.9
Jun-20	-15.8	-19.6	-16.0	-10.0
Jul-20	-10.4	-13.0	-11.1	-2.5

According to the Economic Activity wise classification of IIP, among the three broad segments, the electricity sector noted the steepest recovery – registering a single digit fall of 2.5 percent in July 2020, vis-à-vis 10.0 percent contraction in June.

The manufacturing sector, which has a weight of over three quarters in the IIP index, reported a 11.1 percent fall during the month of July. The pace of decline has been narrowing. The sector reported 9.6 percent M-o-M growth in July, 2020. The phased unlocking of economy since June 2020 has led to some normalcy on ground. However, the industry looks forward to greater operational certainty at the local level. The different quarantining rules being adopted by States and the frequent changes is impacting the recovery process.

Mining and quarrying reported a de-growth of 13.0 percent. The mild improvement in numbers was led by crude oil/natural gas.

Five out of the six segments under the Use-based classification of IIP noted a falling growth on a y-o-y basis. The only segment beating this trend was the consumer non durables sector. The sector reported 6.7 percent y-o-y growth during July 2020 - marking second consecutive month of positive growth. The consumer durables, on the other hand, reported the sharpest y-o-y decline among the six sectors in July. Major consumer durables items like passenger cars, two wheelers, air coolers, readymade garments, domestic use refrigerators, auto components have been among the most severely hit. However, it may be noted that products like gymnasium equipment, digital devices, sports goods did note an uptick – although these have a relatively lower weightage in the durables segment.

After consumer durables, the capital goods segment noted the highest decline of 22.8 percent in July. The sector has been in red since before the Covid -19 pandemic and the current situation has dashed any hopes of new investments over the near term.

#### Industrial Performance- Use Based- Growth (% YoY)

	Primary goods (Wt= 34.05)	Capital goods (Wt= 8.22)	Interme diate goods (Wt= 17.22)	Infrastru cture/co nstruction goods (Wt= 12.34)	Consum er goods (Wt= 28.17)	Consum er durables (Wt= 12.84)	Consum er non- durables (Wt= 15.33)
Jul-19	3.6	-7.0	15.7	2.9	3.6	-2.4	8.5
Aug-19	1.0	-20.9	7.4	-5.7	-2.6	-9.7	3.1
Sep-19	-5.2	-20.5	6.8	-7.0	-5.2	-10.5	-1.1
Oct-19	-6.0	-22.4	8.7	-9.7	-10.3	-18.9	-3.4
Nov-19	-0.2	-8.9	17.2	-0.7	0.1	-1.4	1.1
Dec-19	2.4	-18.3	13.1	0.2	-4.1	-5.6	-3.2
Jan-20	1.8	-4.4	15.6	-0.3	-1.8	-3.7	-0.6
Feb-20	8.2	-9.6	23.0	2.8	-2.8	-6.2	-0.3
Mar-20	-4.0	-38.8	-18.6	-24.3	-28.3	-36.8	-22.3
Apr-20	-26.6	-92.7	-64.0	-85.0	-68.6	-95.7	-48.1
May-20	-19.7	-65.2	-40.6	-40.7	-36.1	-69.4	-11.1
Jun-20	-14.5	-37.4	-23.0	-18.8	-6.2	-34.3	14.4
Jul-20	-10.9	-22.8	-12.5	-10.6	-6.3	-23.6	6.7

# Fact Sheet – Index of Industrial Production

## September 2020

### Manufacturing Sub-segments

Sector	Weight	Jul-19	Apr-20	May-20	Jun-20	Jul-20
Manufacture of food products	(Wt=5.30)	22.1	-22.3	-17.7	-1.7	-4.6
Manufacture of beverages	(Wt=1.04)	2.2	-94.2	-63.4	-38.1	-33.5
Manufacture of tobacco products	(Wt=0.80)	9.4	-99.6	-61.2	-8.9	6.1
Manufacture of textiles	(Wt=3.29)	-5.3	-90.8	-68.3	-52.1	-14.8
Manufacture of wearing apparel	(Wt=1.32)	14.7	-94.1	-61.0	-37.8	-28.7
Manufacture of leather and related products	(Wt=0.50)	-0.7	-98.7	-54.4	-19.2	-15.9
Manufacture of wood and products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	(Wt=0.19)	6.9	-95.5	-63.7	-43.2	-26.6
Manufacture of paper and paper products	(Wt=0.87)	-13.0	-76.9	-48.1	-36.6	-37.6
Printing and reproduction of recorded media	(Wt=0.68)	-8.8	-77.0	-46.9	-20.7	-18.7
Manufacture of coke and refined petroleum products	(Wt=11.77)	0.7	-28.3	-24.5	-13.8	-17.2
Manufacture of chemicals and chemical products	(Wt=7.87)	7.0	-54.4	-19.2	0.2	-3.5
Manufacture of pharmaceuticals, medicinal chemical and botanical products	(Wt=4.98)	3.2	-53.9	2.8	34.8	22.0
Manufacture of rubber and plastics products	(Wt=2.42)	-0.7	-70.9	-35.6	-11.7	-5.7
Manufacture of other non-metallic mineral products	(Wt=4.09)	6.9	-86.6	-27.7	-8.7	-13.8
Manufacture of basic metals	(Wt=12.80)	20.3	-70.7	-40.3	-21.0	-10.5
Manufacture of fabricated metal products, except machinery and equipment	(Wt=2.65)	-10.0	-96.0	-53.6	-31.0	-12.7
Manufacture of computer, electronic and optical products	(Wt=1.57)	3.7	-92.6	-68.2	-23.6	-24.5
Manufacture of electrical equipment	(Wt=3.00)	1.3	-94.5	-70.2	-37.4	-24.7
Manufacture of machinery and equipment n.e.c.	(Wt=4.77)	-5.0	-91.3	-61.3	-33.4	-19.8
Manufacture of motor vehicles, trailers and semi-trailers	(Wt=4.86)	-12.8	-99.4	-81.7	-46.1	-31.4
Manufacture of other transport equipment	(Wt=1.78)	-4.2	-99.9	-83.5	-50.1	-25.3
Manufacture of furniture	(Wt=0.13)	-6.5	-99.2	-54.7	-29.2	-28.7
Other manufacturing	(Wt=0.94)	-1.4	-88.4	-65.3	-35.7	-43.9

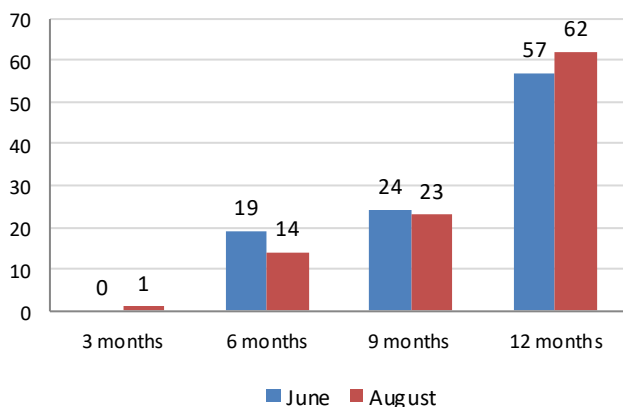
Source: Economic Outlook CMIE

Out of the 23 manufacturing sub-segment, only two segments – tobacco products and pharmaceuticals, medicinal chemical and botanical products reported positive y-o-y growth in July 2020, while the remaining 21 were in the negative territory. Four out of the 21 sub-segments, with a weight of about 7.7 percent, reported a decline greater than 30 percent. The fall was steepest in case of other manufacturing (-43.9 percent), paper & paper products (-37.6 percent) and beverages (-33.5 percent). Five commodities with a total weight of 6.4 percent reported a decline over 25 percent.

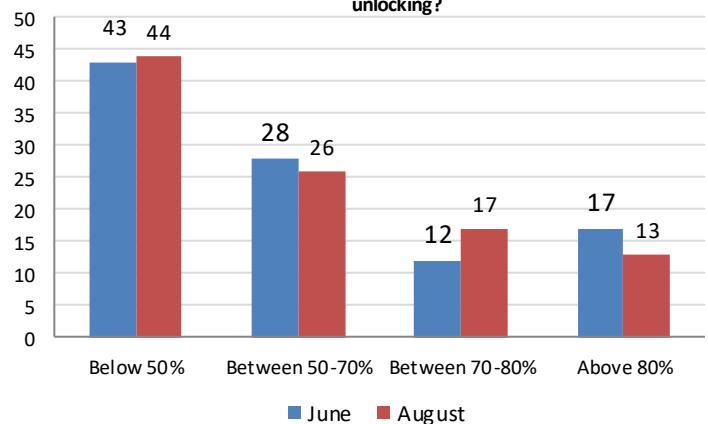
### FICCI Dhruva Survey: Rebooting the Indian Economy | August 2020

% of respondents

Post the implementation of the stimulus package and unlocking of the economy, what is the expected time frame for the Indian economy to be back to normalcy? (%)



What is the current capacity utilisation for your business post unlocking?



### Impact of Unlocking On (% of respondents citing an increase/positive impact)

	June 2020	August 2020
Company's Order Book	25%	44%
Company's Cash Flow	21%	51%
Company's Supply Chain	29%	58%

### Comments

The revival of the industry segment would be difficult without further support from the government and the central bank. After four phases of unlocking and the first tranche of stimulus reaching the ground, we have some idea the way things are panning out. While the government has been ironing out the supply side concerns, the demand situation needs focus now. FICCI has been saying this for a while and our surveys reveal demand to be the biggest constraining factor for businesses. In fact, this situation has been persisting from even before the Covid -19 crisis. The capacity utilization rates have not seen much improvement as has also been indicated above in the results of FICCI Dhruva survey. At this juncture, an external impetus to demand is critical.

Also, the core industries like metal, petroleum, cement etc remain in red. A push to the infrastructure sector will help give some momentum to these sectors. Government spending has been the only support to growth at this hour and front loading of expenditure on infrastructure projects will have significant backward and forward linkages. This will lend some confidence to private investors as well.

While in the guidelines on Unlock 4.0, the central government has advised the States/UTs not to impose any local lockdown, outside the containment zone, without prior consultation; the different quarantining rules being followed by States is causing a operational issues for the industry. Mandatory testing instead of quarantining should help resolve this.

Lastly, the Reserve Bank of India had announced the much awaited One Time Restructuring scheme on August 6, 2020 and the Kamath Committee submitted the sector specific guidelines last week. A deeper look at the broad contours of the scheme and the recommendations of the Committee indicates a restricted outreach. The pandemic situation is far from over and there remains considerable uncertainty regarding when things may return to normalcy. By laying down the eligibility criteria for the scheme and by setting deadlines for the various phases of the restructuring plan, the operational freedom of the players seems to have been considerably restrained. The scheme must be appropriately revisited. FICCI has made submissions to relevant authorities in this regard.