

INDIAN ECONOMY: Month in Review September 2018

Delayed start to festival season, impact of floods distorted volume trends for early economic indicators in Sept 2018

OCTOBER 2018



Ten of the 16 early economic indicators displayed a sequential deterioration in their year-on-year (YoY) growth performance in September 2018, partly led by the impact of floods in some parts of the country and the distortion related to a later start to the festive season in 2018 compared to 2017. As many as four of the early indicators recorded a YoY contraction in September 2018, after a gap of several months. Overall, industrial growth is likely to display a muted pickup at best in September 2018, from the modest level recorded in August 2018.

- *Benefitting from a favourable base, the pace of growth of aggregate auto production improved to 8.0% in September 2018 from a 10-month low 6.8% in August 2018, led by motorcycles (to +11.6% from +6.1%), and commercial vehicles (CV; to +40.8% from +38.9%). In contrast, there was a YoY decline in September 2018 in the output of scooters (to -0.3% from +2.9%; driven by the steep increase in prices after the change in insurance guidelines for third party cover, state-specific factors and the later start to the festive season), and passenger vehicles (PV; to -0.8% from +4.7%; led by higher inventory levels at dealers, following subdued demand over the past few months).*
- *Coal India Limited's (CIL's) output growth displayed a mild recovery to 3.8% in September 2018 (+9.9% in September 2017) from 3.2% in August 2018 (+15.9% in August 2018), benefitting from a favourable base effect. This was mirrored in the improved performance of thermal electricity generation (to +2.7% from -0.5%). Moreover, the growth of hydro electricity generation rose to 23.5% in September 2018 from 19.6% in August 2018; healthy reservoir storage levels are likely to continue to support hydroelectricity generation in the ongoing month.*
- *The growth in cargo handled at major ports dipped to 5.1% in September 2018 from 9.4% in August 2018, led by crude oil and coal. Reflecting the unfavourable base effect related to the cut-off for drawbacks at pre-GST rates, non-oil merchandise exports contracted by 6.1% in September 2018 in US\$ terms, in contrast to the 17.6% expansion in August 2018, led by gems and jewellery, textiles and engineering goods.*
- *The YoY performance of rail freight, petrol consumption and diesel consumption worsened to 3.7%, 4.2% and (-)0.8% (led by an unfavourable base), respectively, in September 2018, from 5.2%, 7.8% and 4.3%, respectively, in August 2018.*
- *The YoY growth in ATF consumption moderated to 8.0% in September 2018 from 9.7% in August 2018, in contrast to the uptick in the expansion of passenger traffic by domestic airlines to 18.9% from 17.2%, respectively.*
- *The YoY bank deposit growth slowed to 8.1% on September 28, 2018 from 8.9% on August 31, 2018, while non-food credit growth eased to 12.6% from 13.5% on these two dates.*

Exhibit 1: Sequential dip in YoY performance recorded in September 2018 in PV, scooters, non-oil exports, ports cargo, rail freight, fuel consumption, bank credit and deposits; PV, scooters, non-oil exports and diesel consumption recorded YoY contraction in September 2018

Months	PV	CV	Motor cycle	Scooter	CIL Prod.	Thermal Gen.	Hydro Gen.	Non-oil Exports	Ports Cargo	Rail Freight	Domestic Airlines Passengers	ATF	Petrol	Diesel	Bank Deposits	Non Food Bank Credit
Jul-18	7.2	28.1	18.6	17.0	10.7	4.7	2.1	14.3	4.8	4.1	20.8	14.0	7.9	4.9	8.2	12.9
Aug-18	4.7	38.9	6.1	2.9	3.2	-0.5	19.6	17.6	9.4	5.2	17.2	9.7	7.8	4.3	8.9	13.5
Sep-18	-0.8	40.8	11.6	-0.3	3.8	2.7	23.5	-6.1	5.1	3.7	18.9	8.0	4.2	-0.8	8.1	12.6

Source: Society of Indian Automobile Manufacturers (SIAM); CIL; Central Electricity Authority(CEA); Ministry of Commerce, Government of India(GOI); Indian Railways; Directorate General of Civil Aviation (DGCA); Indian Ports Association; Petroleum Planning & Analysis Cell (PPAC); Reserve Bank of India (RBI); ICRA research

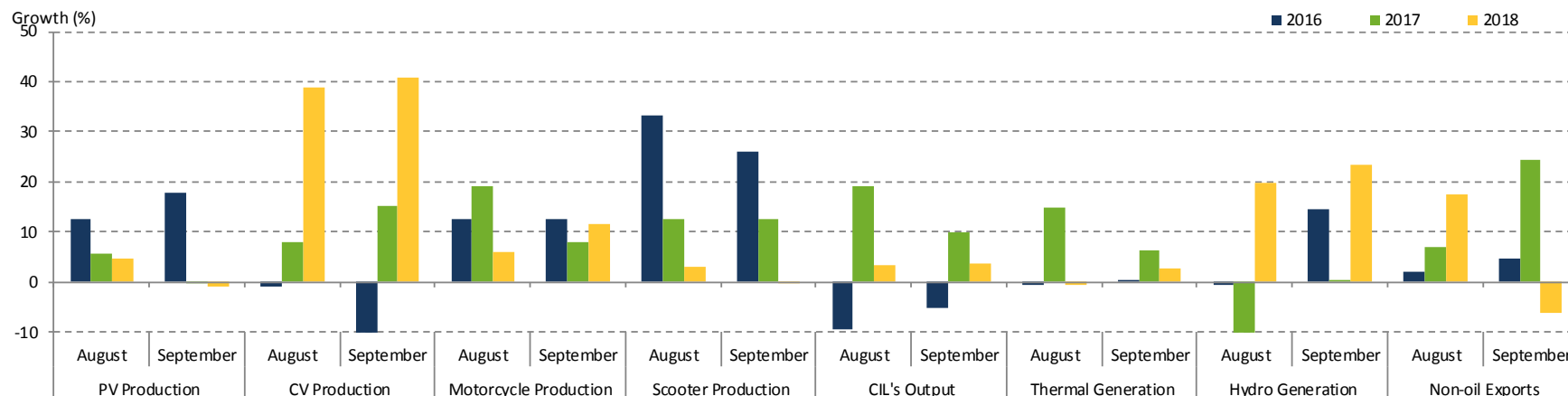
YoY growth; sequential pickup	YoY growth; sequential dip	YoY contraction; sequential pickup	YoY contraction; sequential dip
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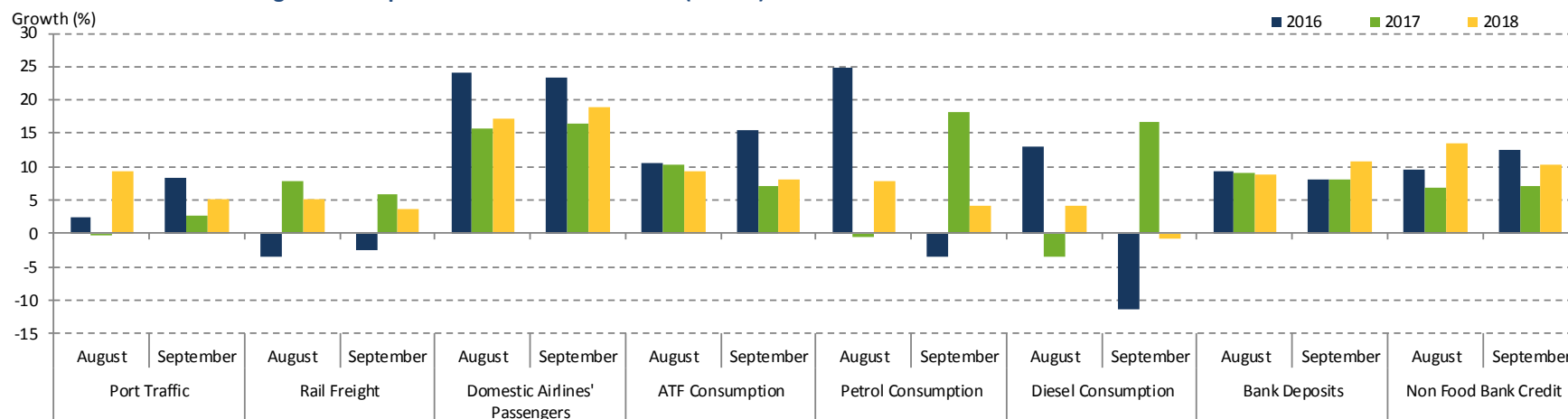
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Exhibit 2: YoY Growth in August and September for Last Three Years (Part -I)



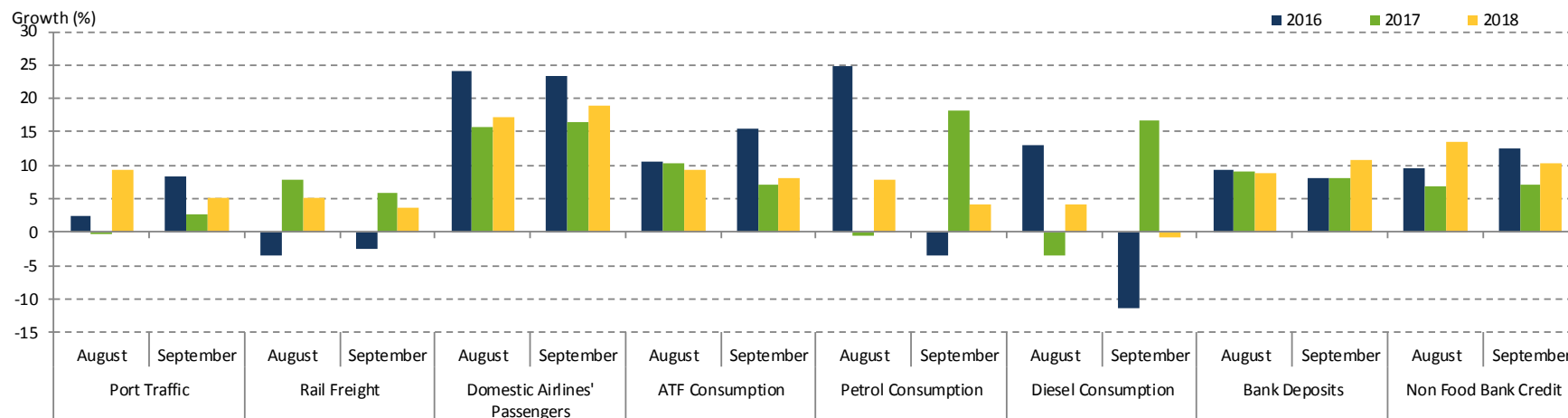
Source: SIAM; CIL; CEA; Ministry of Commerce, GoI; ICRA Research

Exhibit 3: YoY Growth in August and September for Last Three Years (Part -II)



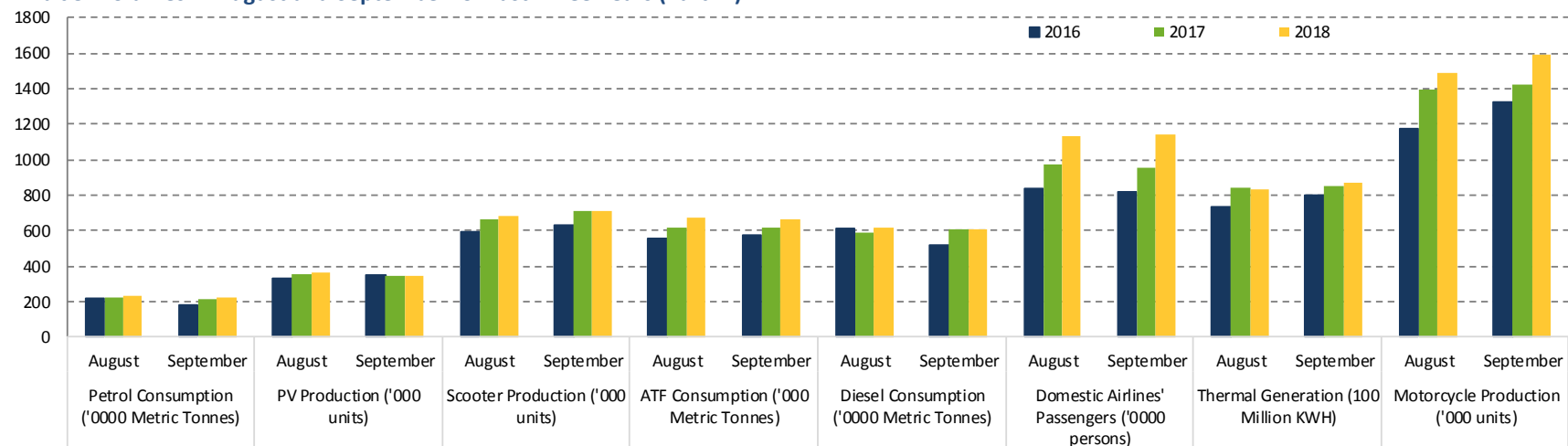
Source: Indian Ports Association; Indian Railways; DGCA; PPAC; RBI; ICRA research

Exhibit 4: Volumes in August and September for Last Three Years (Part -I)



Source: CIL; Indian Ports Association; CEA; Indian Railways; SIAM; RBI; Ministry of Commerce, GoI; RBI; ICRA Research

Exhibit 5: Volumes in August and September for Last Three Years (Part -II)



Source: PPAC; SIAM; DGCA; CEA; ICRA research



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