

# INDIAN ECONOMY: Month in Review October 2018

Broad-based sequential improvement in YoY growth of early economic indicators in Oct 2018, partly related to later start of festive season; average YoY growth for September-October 2018 reveals mixed trend

NOVEMBER 2018



In line with expectations, there was a broad-based improvement in the year-on-year (YoY) growth performance in October 2018, of a substantial 14 of the 16 early economic indicators, largely reflecting the adjustment of production schedules related to the later start of the festive season, as well as other factors such as base effects and the receding impact of floods in parts of the country. Accordingly, industrial growth is likely to display a healthy pickup in October 2018, from the level recorded in September 2018.

However, averaging the trends for September-October in 2017 and 2018, to reduce the impact of the changes in the festive calendar, indicates a mixed performance, with a YoY pickup in growth of production of passenger vehicles (PV), commercial vehicles (CV), motorcycles, thermal and hydro generation, cargo handled at major ports and rail freight in these months in 2018 relative to 2017, and a slowdown in the expansion of output of scooters, Coal India Limited (CIL), non-oil exports, fuel consumption (ATF, diesel and petrol) and passenger traffic by domestic airlines.

- *The pace of growth of aggregate auto production improved to a four-month high 20.6% in October 2018 from 8.0% in September 2018, benefitting from a favourable base effect related to the later start to the festive season. The uptick in auto production growth was broad based, led by motorcycles (to +25.5% from +11.6%), scooters (to +13.1% from -0.3%), PV (to +6.2% from -0.8) and CV (to +42.8% from +40.8%). However, reports of considerable build-up of unsold inventory suggest a cautious outlook for the immediate term.*
- *Coal India Limited's (CIL's) output growth doubled to 7.9% in October 2018 (+6.0% in October 2017) from 3.8% in September 2018 (+9.9% in September 2017), benefitting from a favourable base effect. This was mirrored in the improved performance of thermal electricity generation to 10.7% from 2.9% during these two months. However, the growth of hydro electricity generation eased to 12.9% in October 2018 from 23.6% in September 2018, reflecting the dip in reservoir storage levels.*
- *The growth in cargo handled at major ports rose to 6.4% in October 2018 from 5.1% in September 2018, led by coal shipments. Partly on account of the base effect, non-oil exports in US\$ terms rebounded to an expansion of 13.0% in October 2018 from the 6.1% contraction in September 2018, led by textiles, yarns and garments, electronic goods, engineering goods, drugs and pharmaceuticals.*
- *The YoY growth performance of rail freight, petrol consumption and diesel consumption improved to 9.6%, 4.6% and 6.7% (led by a favourable base), respectively, in October 2018 from 3.7%, 4.2% and (-)0.8%, respectively, in September 2018. The recent easing in fuel prices may support the consumption growth of diesel and petrol in the ongoing month.*
- *The YoY growth in ATF consumption picked up to 9.0% in October 2018 from 8.2% in September 2018, in contrast to the slowdown in the expansion of passenger traffic by domestic airlines to 13.3% from 18.9%, respectively; the latter may have been related to higher airfares following the rise in ATF prices.*
- *The YoY bank deposit growth rose to 9.0% on October 26, 2018 from 8.1% on September 28, 2018. Moreover, non-food credit growth rose to a high 14.8% from 12.6%, respectively, reflecting the shift in credit demand from the bond markets to banks, amid elevated bond yields.*

## Contact:

Aditi Nayar  
+91 124 4545 385  
[aditin@icraindia.com](mailto:aditin@icraindia.com)

Medha Sinha  
+91 124 4545 399  
[medha.sinha@icraindia.com](mailto:medha.sinha@icraindia.com)

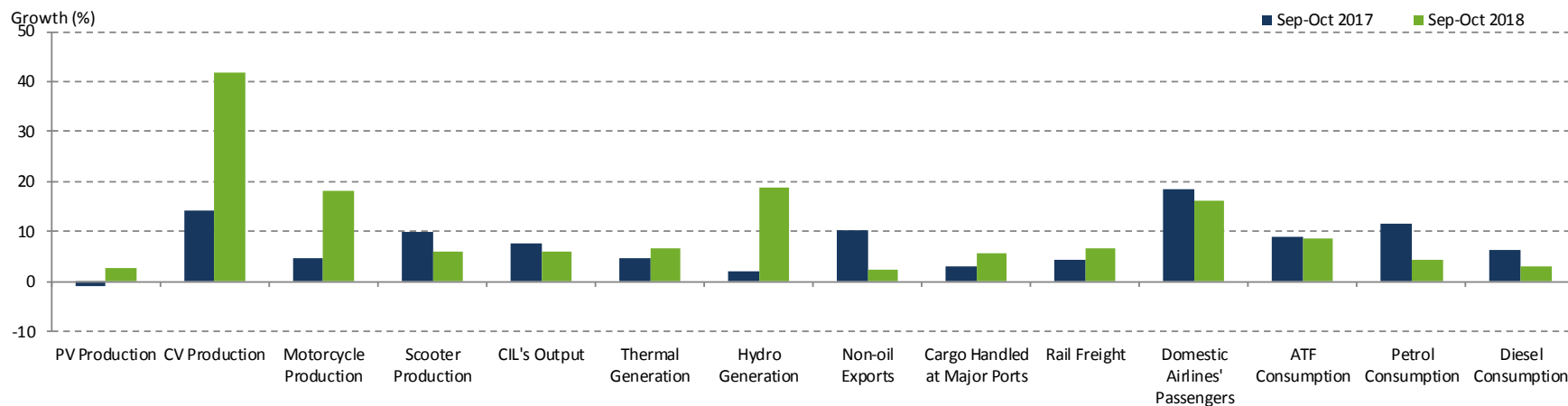
**Exhibit 1: Sequential uptick in YoY performance recorded in October 2018 by all early indicators except hydroelectricity generation and passengers carried by domestic airlines. Moreover, all early indicators recorded a YoY expansion in October 2018 after a gap of two months**

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
Aug-18	4.7	38.9	6.1	2.9	3.2	-0.5	19.8	18.4	9.4	5.2	17.2	11.9	7.8	4.2	8.9	13.6
Sep-18	-0.8	40.8	11.6	-0.3	3.8	2.9	23.6	-6.1	5.1	3.7	18.9	8.2	4.2	-0.8	8.1	12.6
Oct-18	6.2	42.8	25.5	13.1	7.9	10.7	12.9	13.0	6.4	9.6	13.3	9.0	4.6	6.7	9.0	14.8

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

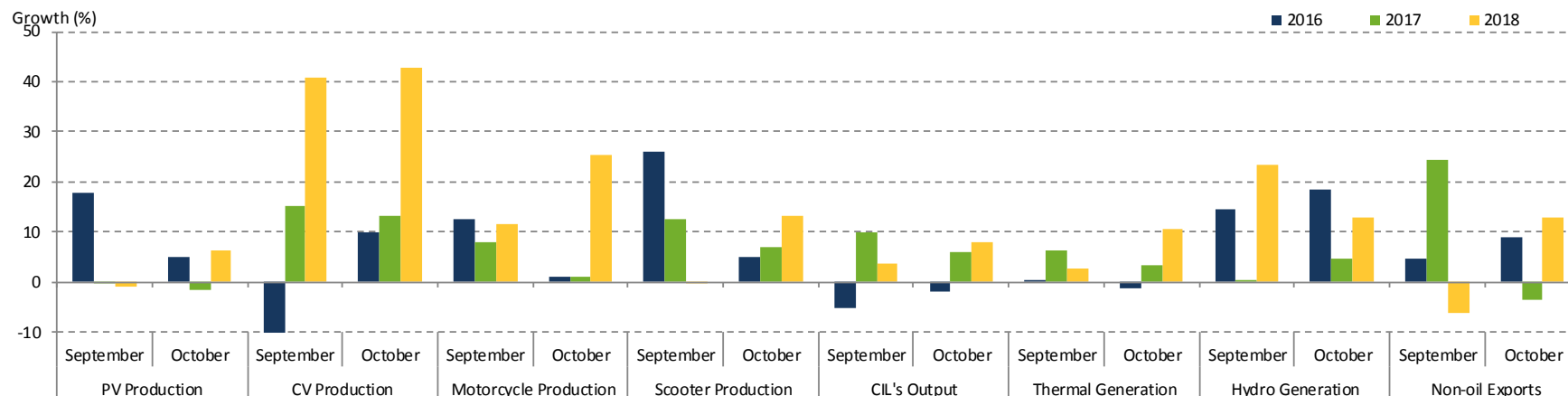
YoY growth; sequential pickup	YoY growth; sequential dip	YoY contraction; sequential pickup	YoY contraction; sequential dip
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**Exhibit 2: Average YoY Growth in September-October in 2017 and 2018 reveals mixed trend across indicators**



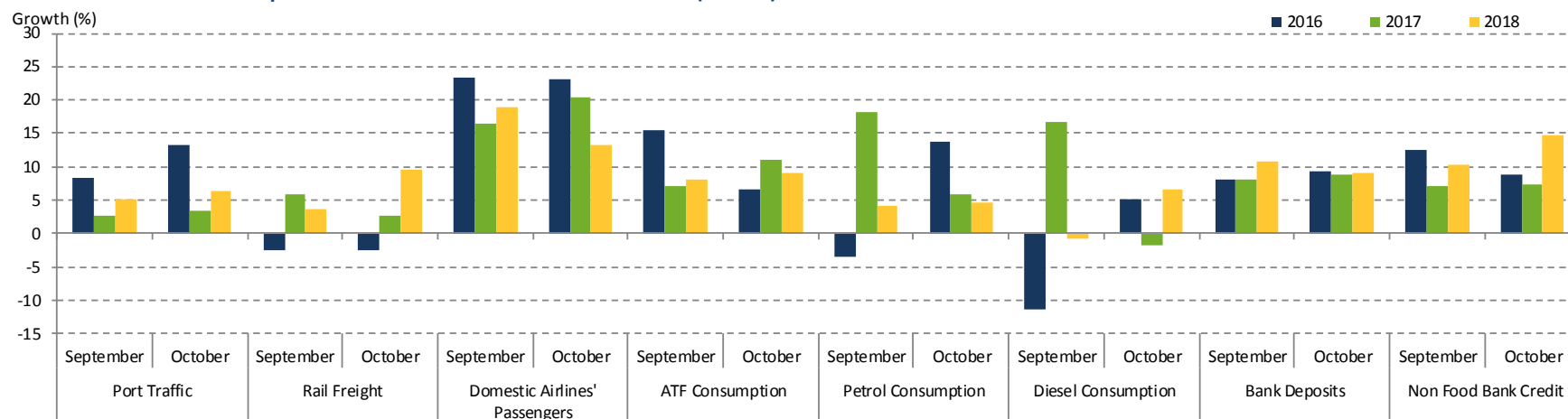
Source: SIAM; CIL; CEA; Ministry of Commerce, Gol; Indian Railways; DGCA; Indian Ports Association; PPAC; ICRA research

**Exhibit 3: YoY Growth in September and October for Last Three Years (Part -I)**



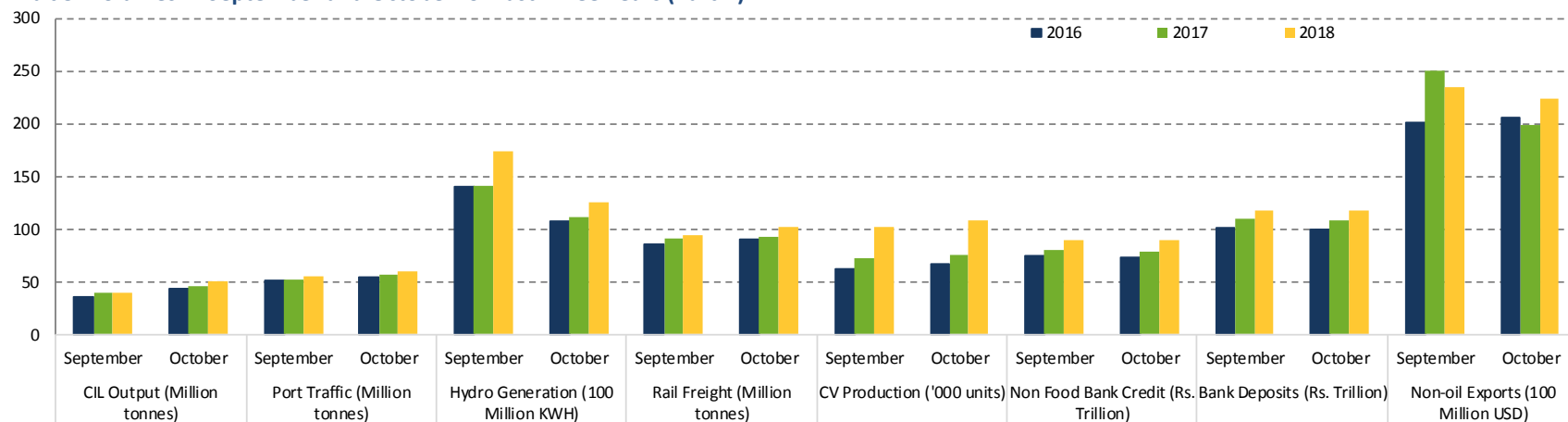
Source: SIAM; CIL; CEA; Ministry of Commerce, GoI; ICRA Research

**Exhibit 4: YoY Growth in September and October for Last Three Years (Part -II)**



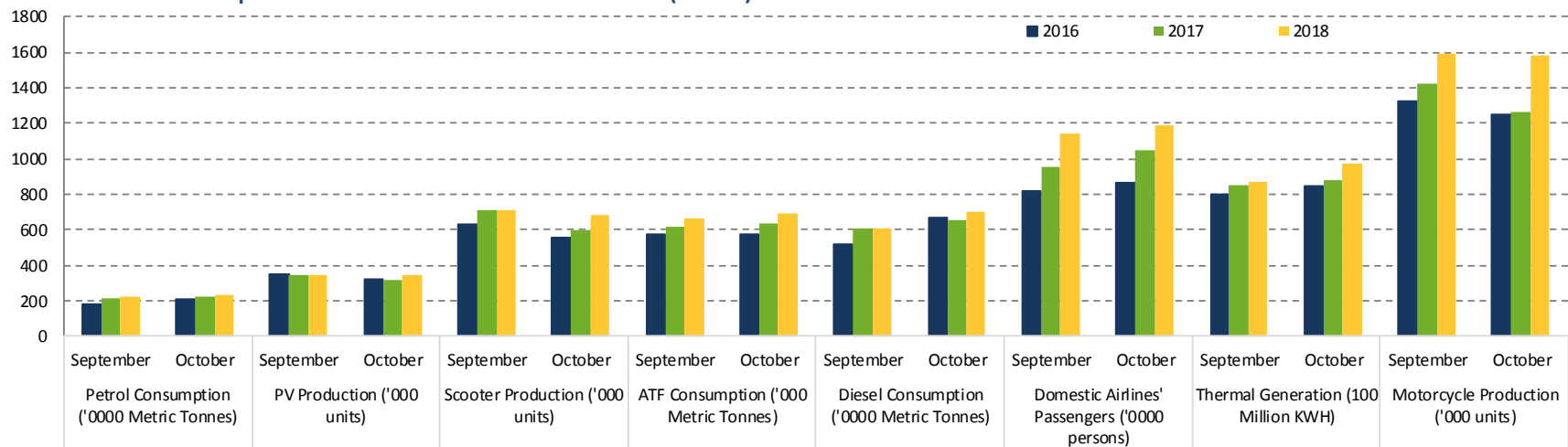
Source: Indian Ports Association; Indian Railways; DGCA; PPAC; RBI; ICRA research

**Exhibit 5: Volumes in September and October for Last Three Years (Part -I)**



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

**Exhibit 6: Volumes in September and October for Last Three Years (Part -II)**



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



### **Business Contacts**

Mr. L. Shivakumar  
E-mail: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)  
Tel: +91 22 6114 3406 / +91 98210 86490

Mr. Jayanta Chatterjee  
E-mail: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)  
Tel: +91 80 4332 6401/ +91 98450 22459

### **Media and Public Relations**

Ms. Naznin Prodhani  
E-mail: [communications@icraindia.com](mailto:communications@icraindia.com)  
Tel: +91 124 4545 860

### **Branches**

#### **Registered Office:**

1105, Kailash Building, 11<sup>th</sup> Floor,  
26, Kasturba Gandhi Marg,  
New Delhi - 110 001  
Tel: + 91 11 2335 7940-45

#### **Corporate Office:**

Building No.8, 2<sup>nd</sup> Floor,  
Tower A, DLF Cyber City Phase II,  
Gurgaon- 122 002  
Tel: +91 124 4545300

#### **Ahmedabad**

907 & 908, Sakar – II,  
Ellisbridge, Opp. Town Hall,  
Ahmedabad - 380 006  
Tel: +91 79 4027 1500/01

#### **Bengaluru 1**

'The Millenia', Tower- B,  
Unit No. 1004, 10<sup>th</sup> Floor, 1 & 2 Murphy  
Road,  
Bengaluru - 560 008  
Tel: +91 80 4332 6400

#### **Bengaluru 2**

2<sup>nd</sup> Floor, Vayudooth Chamber,  
15-16, Trinity Circle, M.G. Road,  
Bengaluru - 560 001  
Tel: +91 80 4922 5500

**Chennai**

5<sup>th</sup> Floor, Karumuttu Centre,  
634, Anna Salai, Nandanam  
Chennai - 600 035  
Tel: +91 44 4596 4300

**Hyderabad 1**

No. 7-1-58, 301, 3<sup>rd</sup> Floor, 'CONCOURSE',  
Above SBI-HPS Branch,  
Ameerpet,  
Hyderabad - 500 016  
Tel: +91 40 4920 0200

**Hyderabad 2**

4A, 4<sup>th</sup> Floor, SHOBHAN,  
6-3-927, A&B Somajiguda,  
Raj Bhavan Road,  
Hyderabad – 500082  
Tel: +91 40 40676500

**Kolkata**

A-10 & 11, 3<sup>rd</sup> Floor, FMC Fortuna 234/3A,  
A.J.C. Bose Road,  
Kolkata -700 020  
Tel: +91 33 7150 1100/01

**Mumbai**

3<sup>rd</sup> Floor, Electric Mansion  
Appasaheb Marathe Marg, Prabhadevi,  
Mumbai - 400 025  
Tel: +91 22 6169 3300

**Pune**

5A, 5<sup>th</sup> Floor, Symphony, S. No. 210  
CTS 3202 Range Hills Road, Shivajinagar,  
Pune - 411 020  
Tel: +91 20 2556 1194

**Email:** [info@icraindia.com](mailto:info@icraindia.com)

**Helpdesk:** 124 3341580

**Website:** [www.icra.in/](http://www.icra.in/) [www.icraresearch.in](http://www.icraresearch.in)

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