

INDIAN ECONOMY: Month in Review November 2018

Broad-based sequential deterioration in YoY growth performance of most early economic indicators in November 2018 suggests impending slide in IIP growth

DECEMBER 2018



The year-on-year (YoY) growth performance displayed a broad-based deterioration in November 2018, as indicated by 12 of the 16 early economic indicators, in line with our expectations. This was driven to a large extent by unfavourable base effects, partly related to a shift in the festive calendar. Accordingly, industrial growth is likely to display a considerable moderation to a modest 2-4% in November 2018, from the healthy 8.1% in October 2018.

Averaging the trends for September-November in 2017 and 2018, to adjust for the impact of changes in the festive calendar, indicates a mixed performance. For instance, the performance worsened during this period for the production of passenger vehicles (PV) and scooters, Coal India Limited (CIL), non-oil exports, fuel consumption (ATF, diesel and petrol) and passenger traffic by domestic airlines. In contrast, there was a YoY pickup in growth in September-November 2018 relative to the corresponding months of the previous fiscal for the production of commercial vehicles (CV) and motorcycles, thermal and hydro generation, cargo handled at major ports and rail freight.

- *After a gap of 20 months, aggregate auto production recorded a contraction of 0.8% in November 2018, in sharp contrast to the robust expansion of 20.6% in October 2018, on the back of subdued consumer sentiment, issues related to liquidity, as well as some inventory correction. This sequential deterioration in November 2018 relative to the previous month was broad-based, led by PV (to -20.9% from +6.2%), CV (to +3.0% from +42.8%), motorcycles (to +2.6% from +25.5%, related to an unfavourable base effect) and scooters (to +6.3% from +13.1%, related to an unfavourable base effect).*
- *CIL's output growth dipped sharply to 1.6% in November 2018 (+2.6% in November 2017) from 7.9% in October 2018 (+6.0% in October 2017), despite a favourable base effect. This was mirrored in the deterioration in the performance of thermal electricity generation to 4.6% from 10.9% during these two months. However, the growth of hydro electricity generation picked up to 13.6% in November 2018 from 11.0% in October 2018.*
- *The growth in cargo handled at major ports eased to a mild 1.6% in November 2018 from 6.4% in October 2018, led by crude oil shipments. Partly on account of an unfavourable base effect, non-oil exports in US\$ terms reverted to a contraction of 5.9% in November 2018 from an expansion of 13.0% in October 2018, led by the double-digit contraction in exports of gems and jewellery, and engineering goods.*
- *The YoY growth performance of rail freight and diesel consumption worsened to 5.1% and (-)4.8%, respectively, in November 2018 from 9.6%, and 6.8%, respectively, in October 2018, with the latter related to an unfavourable base effect. In contrast the pace of growth of petrol consumption rose to 8.7% in November 2018 from 4.7% in October 2018. The easing in fuel prices may support the consumption growth of diesel and petrol in the ongoing month.*
- *The YoY growth in ATF consumption dipped to 5.1% in November 2018 from 9.3% in October 2018, in line with the slowdown in the expansion of passenger traffic by domestic airlines to 11.0% from 13.3%, respectively; the latter may have been related to higher airfares following the lagged rise in ATF prices.*
- *The YoY bank deposit growth rose to 9.4% on November 23, 2018 from 9.0% on October 26, 2018. Moreover, non-food credit growth increased to a high 15.3% from 14.8%, respectively, reflecting the shift in credit demand from the bond markets to banks, amid elevated bond yields.*

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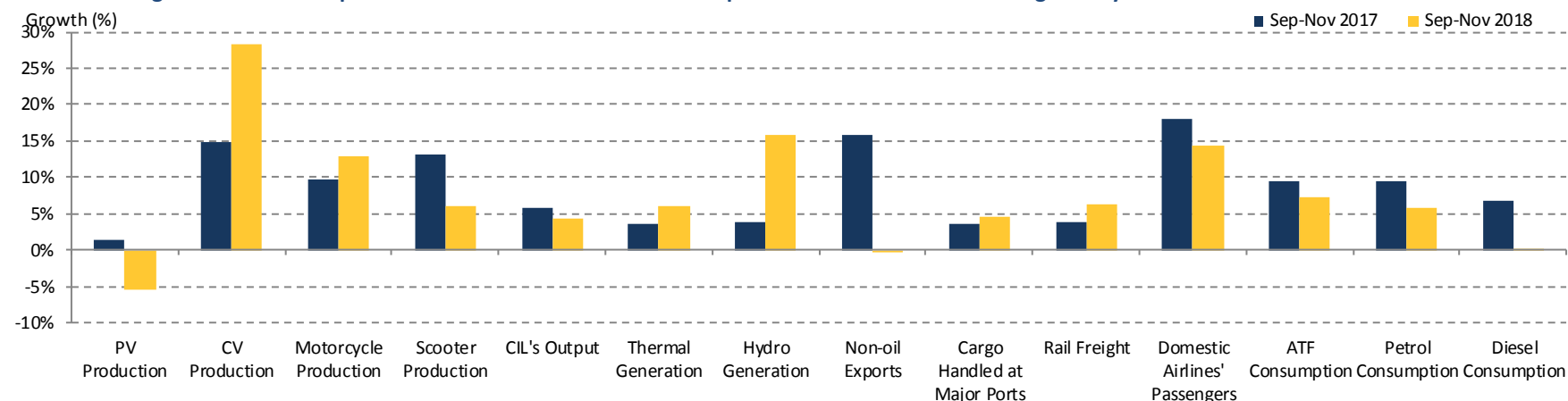
Exhibit 1: Sequential deterioration in YoY performance recorded in November 2018 by all early indicators except hydroelectricity generation, petrol consumption, bank credit and deposits. Moreover, three indicators reverted to a YoY contraction in November 2018

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
Sep-18	-0.8	40.8	11.6	-0.3	3.8	2.9	23.6	-6.1	5.1	3.7	18.9	10.2	4.2	-0.8	8.1	12.6
Oct-18	6.2	42.8	25.5	13.1	7.9	10.9	11.0	13.0	6.4	9.6	13.3	9.3	4.7	6.8	9.0	14.8
Nov-18	-20.9	3.0	2.6	6.3	1.6	4.6	13.6	-5.9	1.6	5.1	11.0	5.1	8.7	-4.8	9.4	15.3

Source: Society of Indian Automobile Manufacturers (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

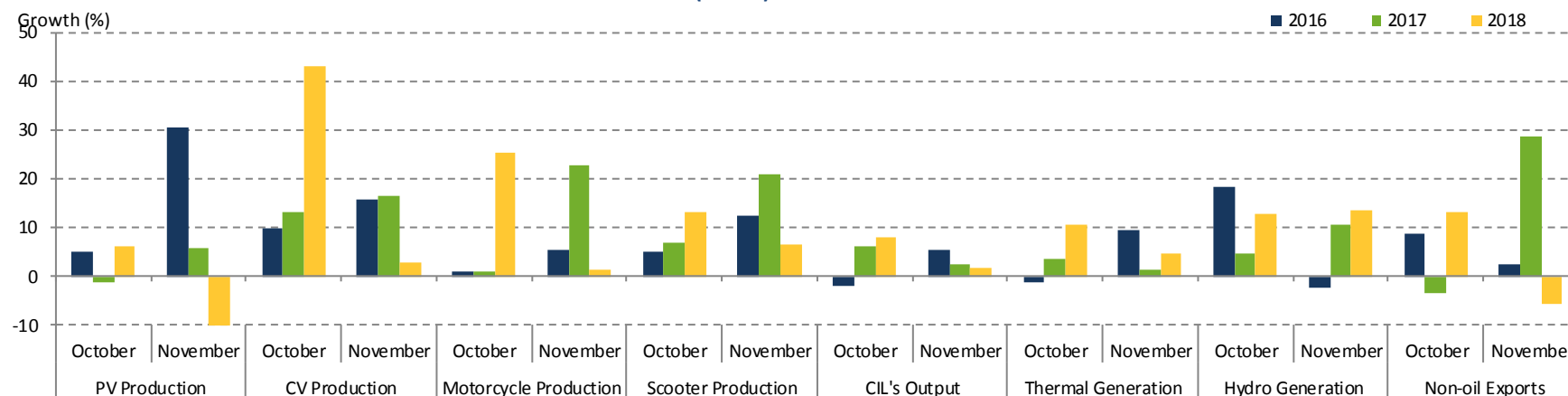
YoY growth; sequential pickup	YoY growth; sequential dip	YoY contraction; sequential pickup	YoY contraction; sequential dip
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Exhibit 2: YoY growth eased in September-November 2018 relative to September-November 2017 for eight early indicators



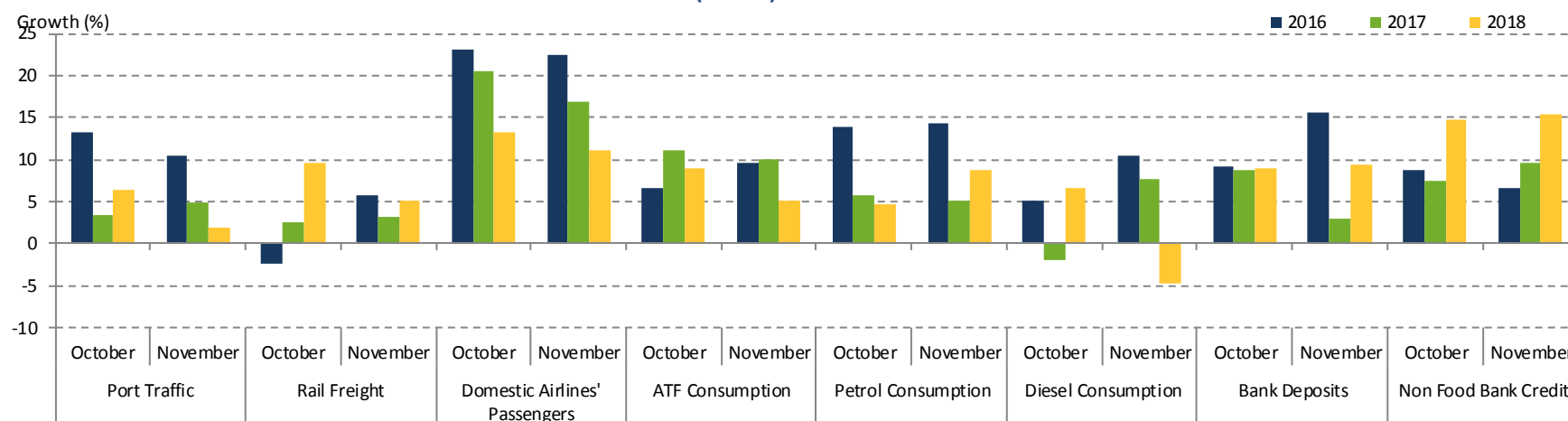
Source: SIAM; CIL; CEA; Ministry of Commerce, Gol; Indian Railways; DGCA; Indian Ports Association; PPAC; ICRA research

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



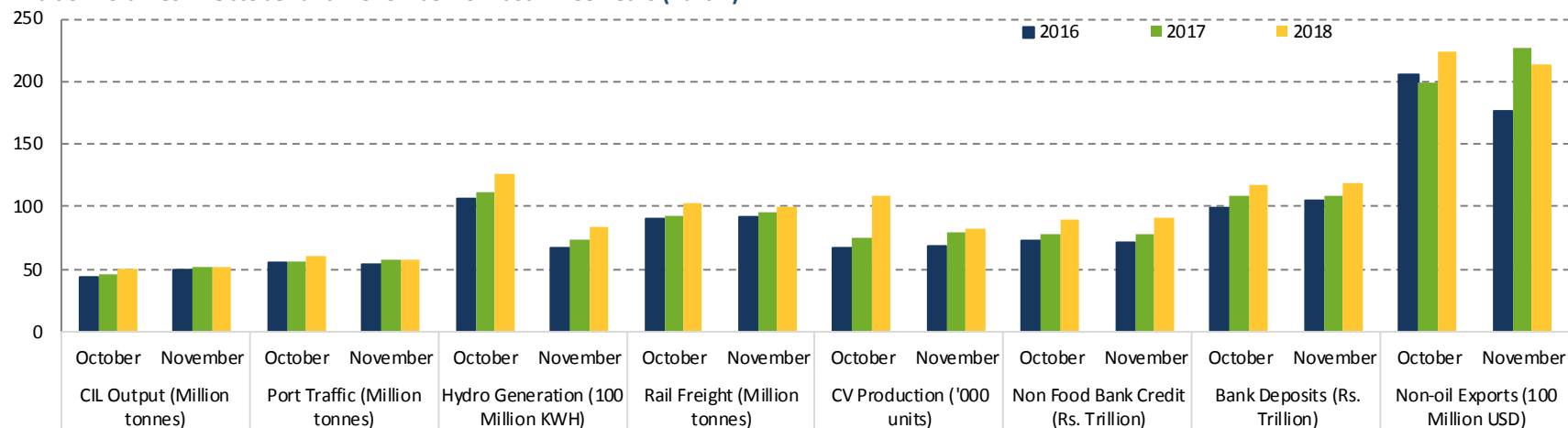
Source: SIAM; CIL; CEA; Ministry of Commerce, GoI; ICRA Research

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



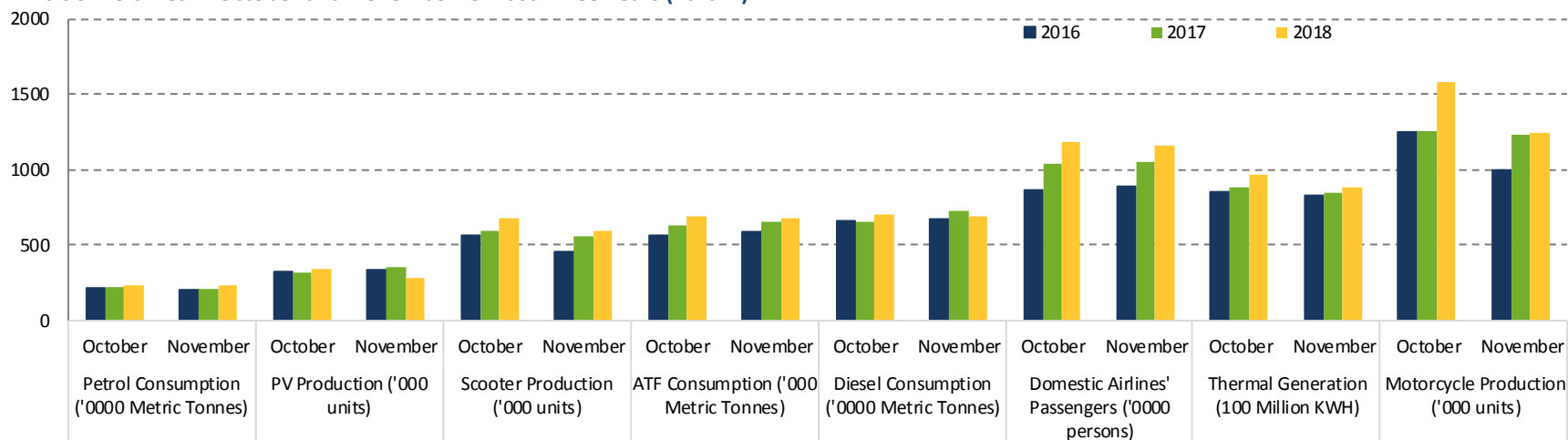
Source: Indian Ports Association; Indian Railways; DGCA; PPAC; RBI; ICRA research

Exhibit 5: Volumes in October and November 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 October and November for Last Three Years (Part -II)



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

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