

INDIAN ECONOMY: MONTH IN REVIEW JULY 2019

Performance of early indicators suggests industrial growth remained subdued in July 2019

August 2019

The growth trends of the early economic indicators remained unfavourable in July 2019, with a significant 11 of the 16 indicators displaying a sequential deterioration in their year-on-year (YoY) performance, similar to the trend in the previous month. Moreover, six of the 16 indicators (output of passenger vehicles, commercial vehicles, scooters, motorcycles and Coal India Limited, and ATF consumption) recorded a contraction in July 2019. Based on these trends, ICRA expects the IIP growth to remain sub-3% in July 2019, with a sequential worsening in the performance of mining and electricity.

- *Aggregate auto production contracted for the ninth month in a row, although the pace of the same narrowed to 11.0% in July 2019 from 13.0% in the previous month, led by the trend in scooters (to -8.1% from -16.3%). However, the pace of YoY contraction worsened in July 2019 compared to June 2019 for commercial vehicles (CV; to -26.4% from -23.4%), passenger vehicles (PV; to -16.5% from -16.3%), and motorcycles (to -9.1% from -7.5%). The recent announcements by the Government of India to address the slowdown in the auto industry, such as allowing BS IV vehicles to remain operational for their entire period of registration, deferment of revision of registration fee, higher depreciation for vehicles, lifting of ban on purchase of vehicles by government departments etc. may support the growth of this sector to some extent in the remainder of FY2020. However, the extent of improvement will take a cue from consumer sentiment, which will remain contingent on the broader outlook for economic growth, as well as availability of financing through NBFCs.*
- *The output of Coal India Limited (CIL) reverted to a contraction of 5.1% in July 2019 (the weakest performance in 25 months), in contrast to the mild rise of 0.5% in June 2019. Moreover, the growth of thermal electricity generation eased to 6.2% in July 2019 from 8.7% in June 2019, while the growth of hydro electricity generation recorded a sharp decline to 0.3% from 7.5%, respectively.*
- *The YoY growth in cargo handled at major ports rebounded to a growth of 3.5% in July 2019 from the contraction of 0.6% in June 2019, led by iron ore and other cargo shipments. Moreover, non-oil exports recorded a YoY rise of 3.5% in July 2019 in US\$ terms, in contrast to the contraction of 5.7% in June 2019.*
- *The YoY growth of rail freight eased for the fourth month in a row to a low 1.6% in July 2019 from 2.0% in June 2019. In addition, the pace of growth of petrol consumption eased to 8.8% in July 2019 from 10.8% in the June 2019, although it remained healthy. However, the growth of diesel consumption posted a mild uptick to 3.3% from 1.4%, respectively.*
- *The YoY decline in ATF consumption widened somewhat to 0.8% in July 2019 from 0.4% in June 2019, whereas the growth of passenger traffic by domestic airlines dipped appreciably to 2.8% from 6.2%, respectively.*
- *The YoY bank deposit growth eased mildly to 10.1% on August 2, 2019 from 10.3% on July 5, 2019, whereas non-food credit growth rose to 12.1% from 12.0%, respectively.*

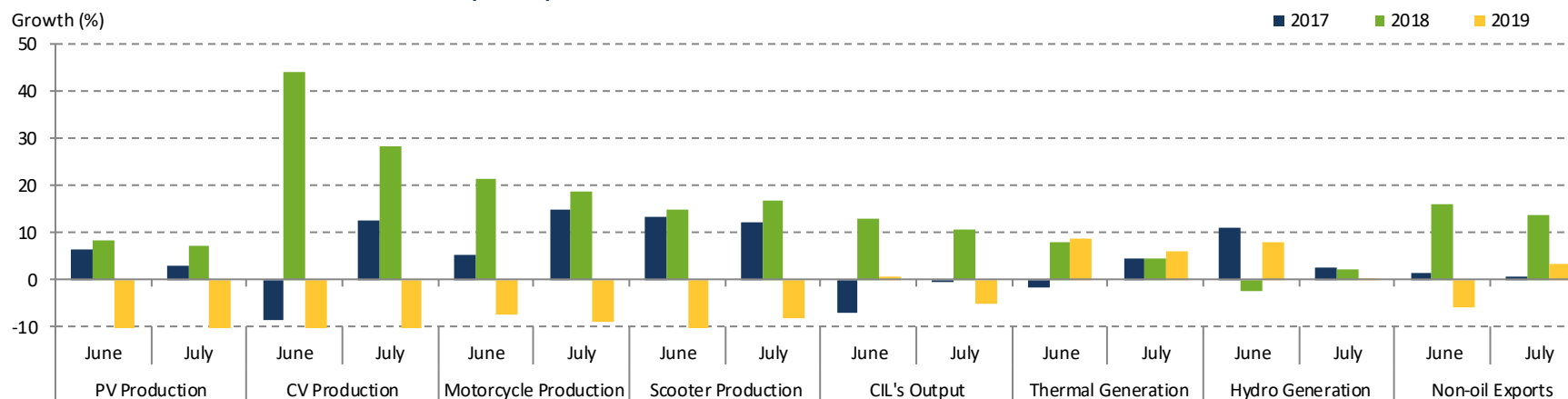
Exhibit 1: Deterioration in YoY performance of 11 early indicators, with auto production, coal output and ATF consumption recording a contraction in July 2019. However, non-oil exports, ports-cargo traffic, diesel consumption and non-food bank credit witnessed a sequential uptick in YoY growth.

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
May-19	-12.2	-10.5	-4.1	-11.5	-1.2	1.8	31.8	5.2	-0.5	2.9	3.0	-0.3	11.3	2.8	10.1	12.6
Jun-19	-16.3	-23.4	-7.5	-16.3	0.5	8.7	7.5	-5.7	-0.6	2.0	6.2	-0.5	10.8	1.4	10.3	12.0
July-19	-16.5	-26.4	-9.1	-8.1	-5.1	6.2	0.3	3.5	3.5	1.6	2.8	-0.8	8.8	3.3	10.1	12.1

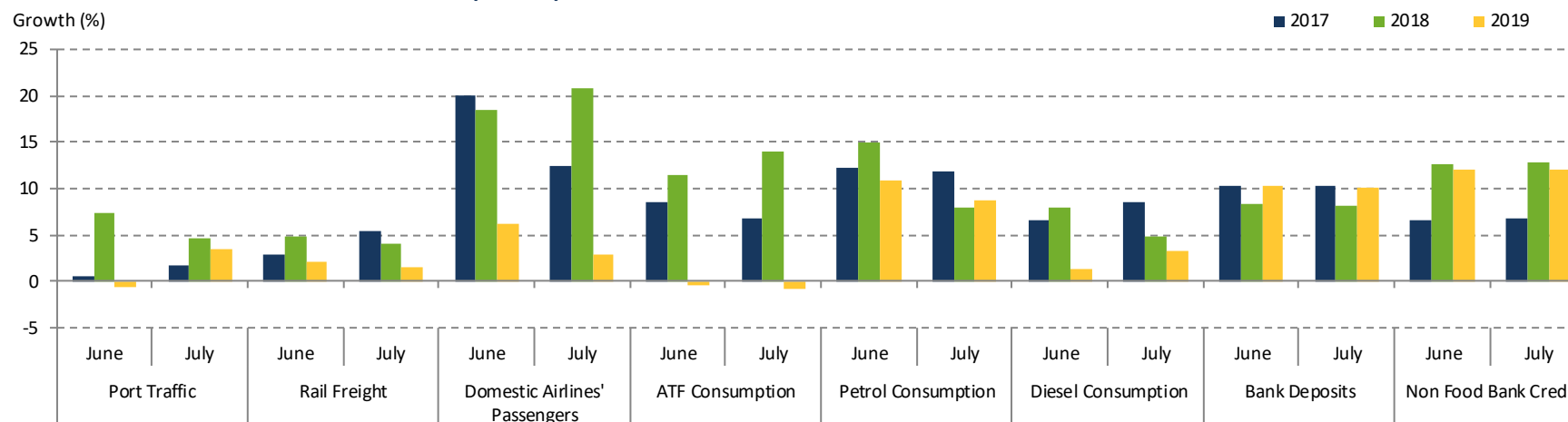
Source: Society of Indian Automobile Manufacturers (SIAM); CIL; Central Electricity Authority (CEA); Ministry of Commerce, Government of India (Gol); Indian Railways; Directorate General of Civil Aviation (DGCA); Indian Ports Association; Reserve Bank of India (RBI); CEIC; ICRA research

YoY growth; sequential pickup	YoY growth; sequential dip	YoY growth; no sequential change	YoY contraction; sequential pickup	YoY contraction; sequential dip
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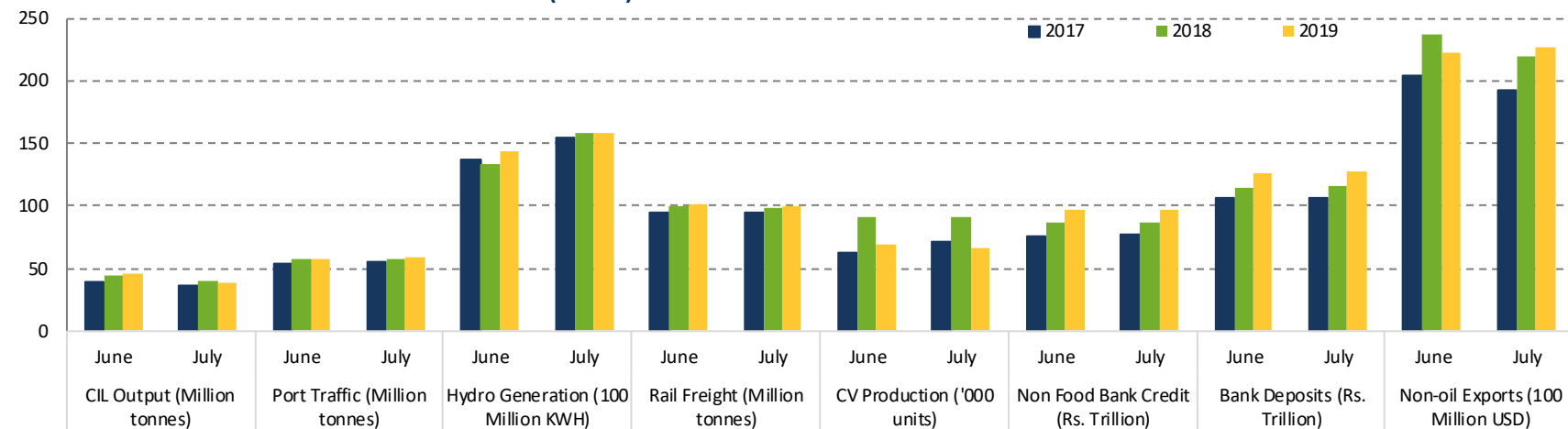
Exhibit 2: YoY Growth for Last Three Years (Part -I)



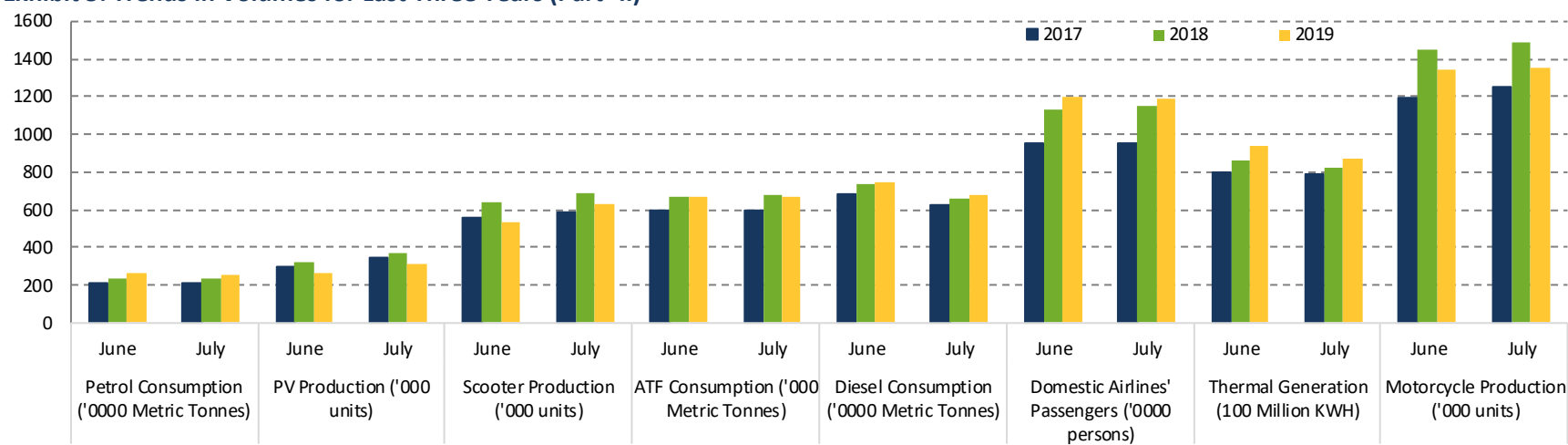
Source: SIAM; CIL; CEA; Ministry of Commerce, Gol; CEIC; ICRA Research

Exhibit 3: YoY Growth for Last Three Years (Part -II)

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

Exhibit 4: Trends in Volumes for Last Three Years (Part -I)

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

Exhibit 5: Trends in Volumes for Last Three Years (Part -II)

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



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