

# INDIAN ECONOMY: MONTH IN REVIEW OCT 2019

Early economic indicators reveal mixed trends in October 2019

November 2019

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

Soumyaditya Pal  
+91 124 4545 848  
[soumyaditya.pal@icraindia.com](mailto:soumyaditya.pal@icraindia.com)

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

Aarzoo Pahwa  
+91 124 4545 873  
[aarzoo.pahwa@icraindia.com](mailto:aarzoo.pahwa@icraindia.com)

Early economic indicators have revealed mixed trends in October 2019, with 11 of our expanded set of 18 indicators displaying sequential improvement in their year-on-year (YoY) performance. This sub-set includes hydroelectricity generation, refinery production, domestic airlines' passenger traffic, non-oil merchandise exports, petrol and ATF consumption, and bank deposits and credit. On the contrary, the performance of seven of the 18 indicators worsened in October 2019 from September 2019. Fewer working days with an earlier onset of the festive season in 2019 relative to 2018, contributed to a weaker performance of sectors such as the output of passenger vehicles (PV), motorcycles and scooters, which seems to have had a knock-on impact on some indicators of freight and demand for thermal electricity. Moreover, 10 of the 18 indicators recorded a contraction in October 2019. Accordingly, we expect both the core sector as well as the Index of Industrial Production to report a contraction for that month. Looking ahead, a favourable base effect as well as a post-monsoon pickup in production may push up growth in various sectors in November 2019.

- *Aggregate auto production recorded a contraction for the twelfth month in a row, and the pace of the same worsened to 26.2% in October 2019 (+20.7% in October 2018) from 18.3% in September 2019 (+8.0% in September 2018), partly on account of fewer working days related to the early onset of the festive season as well as an unfavourable base effect. This sequential deterioration was led by PV (to -21.1% from -18.1%), scooters (to -25.4% from -15.8%) and motorcycles (to -26.0% from -18.9%). However, the pace of contraction in the production of commercial vehicles (CV) narrowed slightly in October 2019 relative to September 2019 (to -45.5% from -46.3%), although it remained considerable.*
- *Coal India Limited's (CIL) output continued to contract in October 2019, following the late withdrawal of monsoon and ongoing labour issues, although the pace of the same narrowed to 20.9% from 23.5% in September 2019. While production may pick up pace following the ebbing of rainfall, with the cumulative output of CIL in April-October 2019 standing at 280.4 million tonnes, the likelihood of achieving its FY2020 target of 660 million tonnes appears dim.*
- *The YoY decline in electricity generation worsened to 13.4% in October 2019 from 3.2% in September 2019, as heavy rainfall reduced demand for power from the agricultural and household sectors, and demand from the manufacturing sector was limited given the holidays during the festive period. While the rise in reservoir levels boosted the growth of hydro electricity generation to 21.8% in October 2019 from 19.3% in September 2019, the contraction in thermal electricity generation deepened to 19.3% in October 2019 from 9.6% in the previous month.*
- *Rail freight and diesel consumption contracted for the third month in a row in October 2019, which may partly be on account of the curtailed mining and movement of coal, as well as muted production in various manufacturing sectors. The pace of contraction of rail freight and diesel consumption deepened to 8.1% and 7.4%, respectively, in October 2019 from 6.6% and 3.2%, respectively, in September 2019.*
- *Refinery production reverted to a mild expansion of 0.2% in October 2019 from the contraction of 6.9% in the previous month. Moreover, the contraction in production of crude oil eased marginally to 5.1% from 5.4%, respectively.*
- *The cargo handled at major ports witnessed a deeper contraction of 5.3% in October 2019 from 0.4% in September 2019, led by coal and other cargo shipments. In contrast, the non-oil merchandise exports reverted to a growth of 1.4% in October 2019 in US\$ terms, from the contraction of 4.5% in the previous month, the sustainability of which remains unclear.*
- *The YoY performance of ATF consumption (to +1.6% from -2.1%), passenger traffic by domestic airlines (to +4.0% from +1.2%) and petrol consumption (to +8.9% from +6.3%) recorded an improvement in October 2019 relative to September 2019, which may have benefitted from travel during the festive season.*
- *Moreover, the YoY growth of bank deposit and non-food bank credit rose to 10.3% and 8.8%, respectively, on October 25, 2019 from 9.4% and 8.6%, respectively, on September 27, 2019.*

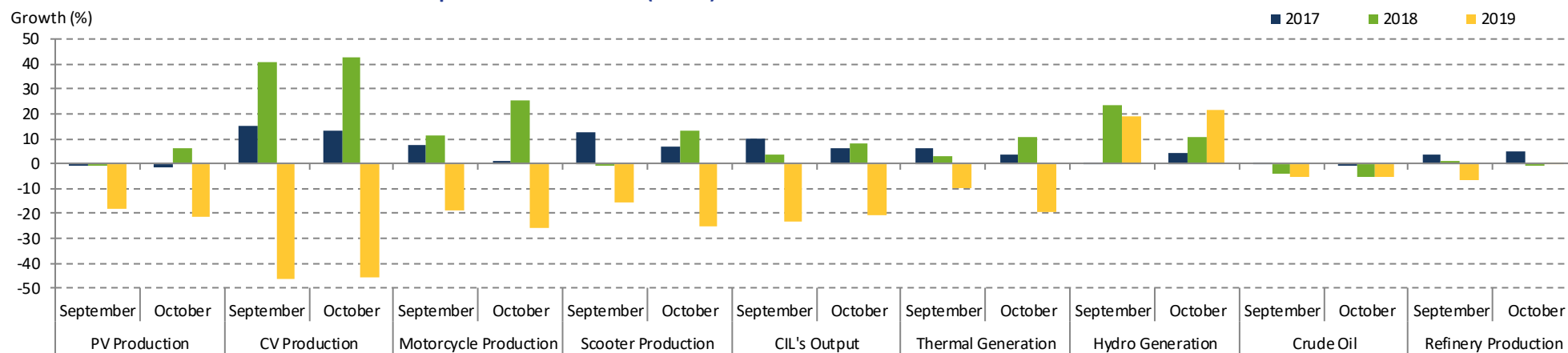
**Exhibit 1: The YoY performance of seven of the 18 early indicators displayed a sequential deterioration in October 2019. However, the contraction in the output of CV, CIL and crude oil eased in October 2019 relative to September 2019. Moreover, the pace of growth improved sequentially for bank deposits and credit, hydro electricity generation, refinery production, non-oil exports, domestic airlines' passenger traffic, as well as consumption of ATF and petrol.**

Months	PV	CV	Motor cycle	Scooter	CIL Prod.	Thermal Gen.	Hydro Gen.	Crude Oil	Refinery Product	Non-oil Exports	Ports Cargo	Rail Freight	Domestic Airlines Passengers	ATF	Petrol	Diesel	Bank Deposits	Non Food Bank Credit
Aug-19	-24.4	-42.1	-17.0	-16.9	-10.3	-3.1	7.1	-5.4	2.4	-5.3	1.3	-6.1	3.9	-2.9	9.0	-1.2	9.8	10.2
Sep-19	-18.1	-46.3	-18.9	-15.8	-23.5	-9.6	19.3	-5.4	-6.9	-4.5	-0.4	-6.6	1.2	-2.1	6.3	-3.2	9.4	8.6
Oct-19	-21.1	-45.5	-26.0	-25.4	-20.9	-19.3	21.8	-5.1	0.2	1.4	-5.3	-8.1	4.0	1.6	8.9	-7.4	10.3	8.8

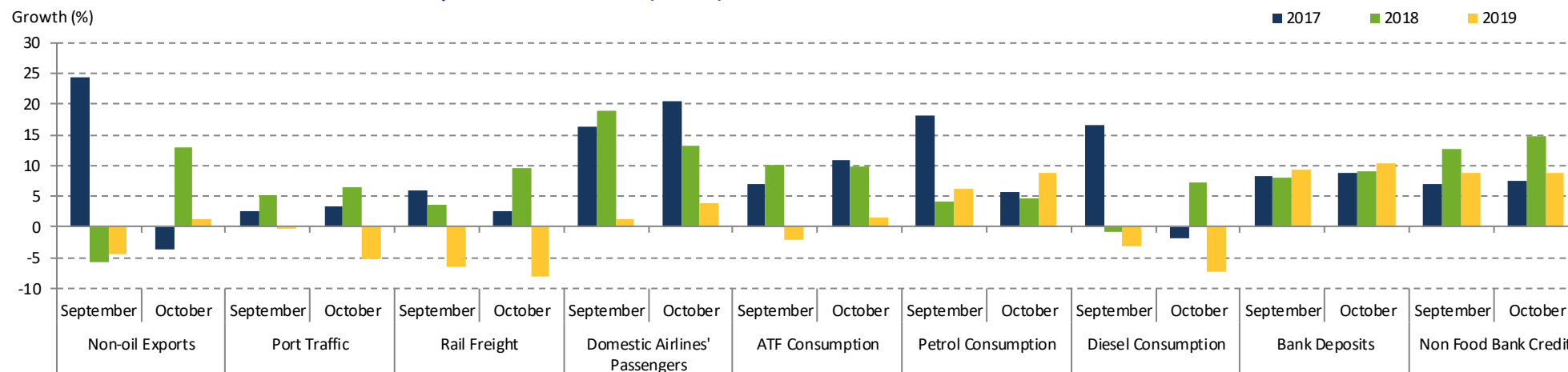
Source: Society of Indian Automobile Manufacturers (SIAM); CIL; Central Electricity Authority (CEA); Ministry of Commerce and Industry, Government of India (GoI); Ministry of Petroleum and Natural Gas; Indian Railways; Directorate General of Civil Aviation (DGCA); Indian Ports Association; Reserve Bank 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
-------------------------------	----------------------------	----------------------------------	------------------------------------	---------------------------------

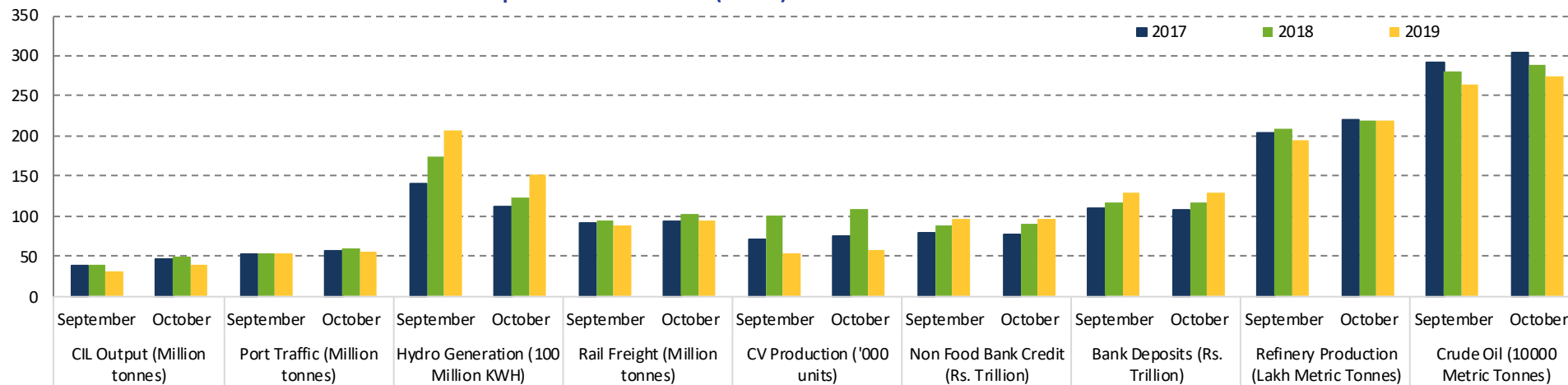
**Exhibit 2: YoY Growth for Last Three Years in September and October (Part -I)**



Source: SIAM; CIL; CEA; Ministry of Petroleum and Natural Gas; Ministry of Commerce and Industry, GoI; CEIC; ICRA Research

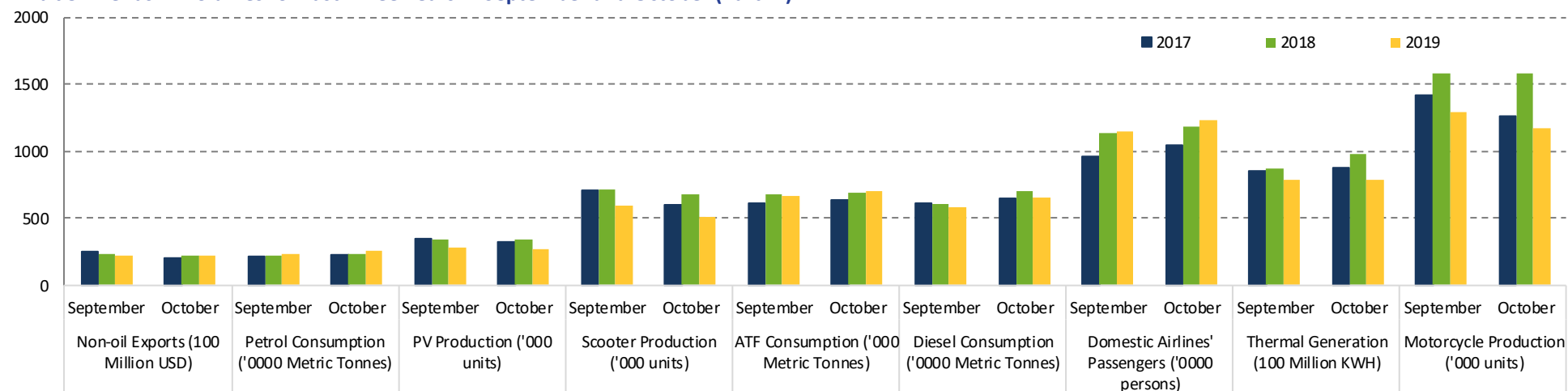
**Exhibit 3: YoY Growth for Last Three Years in September and October (Part -II)**

Source: Indian Ports Association; Ministry of Commerce, GoI; Indian Railways; DGCA; PPAC; RBI; CEIC; ICRA research

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

Source: CIL; Indian Ports Association; CEA; Ministry of Petroleum and Natural Gas; Indian Railways; SIAM; RBI; Ministry of Commerce and Industry, GoI; CEIC; ICRA Research

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



Source: PPAC; SIAM; DGCA; Ministry of Commerce, GoI; CEA; CEIC; ICRA research





## ABOUT ICRA

ICRA Limited (formerly Investment Information and Credit Rating Agency of India Limited) was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange.

### **Alliance with Moody's Investors Service**

The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder. The participation of Moody's is supported by a Technical Services Agreement, which entails Moody's providing certain high-value technical services to ICRA. Specifically, the agreement is aimed at benefiting ICRA's in-house research capabilities, and providing it with access to Moody's global research base. The agreement also envisages Moody's conducting regular training and business seminars for ICRA analysts on various subjects to help them better understand and manage concepts and issues relating to the development of the capital markets in India. Besides this formal training programme, the agreement provides for Moody's advising ICRA on Rating-products strategy, and the Ratings business in general.

### **The ICRA Factor**

Our services are designed to

- Provide information and guidance to institutional and individual investors/creditors;
- Enhance the ability of borrowers/issuers to access the money market and the capital market for tapping a larger volume of resources from a wider range of the investing public;
- Assist the regulators in promoting transparency in the financial markets;
- Provide intermediaries with a tool to improve efficiency in the funds raising process.

## Business Contacts

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

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

## Media and Public Relations

Ms. Naznin Prodhani  
E-mail: communications@icraindia.com  
Tel: +91 124 4545 860

## Registered Office:

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

## Corporate Office:

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

## Ahmedabad

1809-1811, Shapath V,  
Opposite Karnavati Club  
S.G. Highway, Ahmedabad - 380015  
Tel: +91 79 4027 1500/01

## Bengaluru 1

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

## Bengaluru 2

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

## Chennai

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

## Hyderabad 1

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

## Hyderabad 2

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

## Kolkata

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

## Mumbai

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

## Pune

5A, 5th Floor, Symphony,  
S. No. 210 CTS 3202 Range Hills Road,  
Shivajinagar, Pune - 411 020  
Tel: +91 20 2556 0194, 020 6606 9999

**Email:** info@icraindia.com

**Helpdesk:** 9354738909

**Website:** www.icra.in/ www.icraresearch.in