ICRA

INDIAN ECONOMY: MONTH IN REVIEW NOV 2019

Appreciable improvement in early economic indicators in November 2019, portends modest IIP growth after two months of contraction

December 2019

Aditi Nayar
+91 124 4545 385
aditin@icraindia.com

Soumyaditya Pal
+91 124 4545 848
soumyaditya.pal@icraindia.com

Medha Sinha
+91 124 4545 399
medha.sinha@icraindia.com

Aarzoo Pahwa
+91 124 4545 873
aarzoo.pahwa@icraindia.com

As expected, the year-on-year (YoY) performance of most of the early economic indicators improved appreciably in November 2019 relative to the previous month, although this was partly on account of easing base effects. A pickup in growth or narrower contraction was displayed in November 2019 in sequential terms by 15 of the 18 lead indicators except crude oil production, non-food bank credit and bank deposits. In addition, the number of indicators displaying a contraction narrowed to six in November 2019 from 10 in October 2019. Based on these trends, we expect the contraction of the core sector industries to narrow substantially in November 2019, and the Index of Industrial Production to report a modest growth in that month after having contracted since September 2019.

Given the sharp base effects driven by the earlier onset of the festive season in 2019 relative to 2018, it may be more constructive to parse the average growth performance of various indicators for October-November 2019. As many as 11 of the 16 non-financial indicators recorded an improvement in these two months relative to their YoY performance in Q2 FY2020, such as non-oil exports; domestic airlines' passenger traffic; hydroelectricity generation; output of passenger vehicles (PV), commercial vehicles (CV), motorcycles, refinery products, and Coal India Limited (CIL); and consumption of ATF, diesel and petrol. Nevertheless, 9 of the 16 indicators contracted in October-November 2019, although this marks some improvement from the trend in Q2 FY2020, in which 12 indicators had displayed a YoY decline. Overall, we are cautiously optimistic of a pickup in the real GVA and GDP growth in Q3 FY2020 from 4.3% and 4.5%, respectively, in Q2 FY2020.

- ***Aggregate auto production recorded a contraction for the thirteenth consecutive month, although the pace of the same narrowed sharply to a mild 1.4% in November 2019 (-0.8% in November 2018) from 26.2% in October 2019 (+20.7% in October 2018), on account of the base effect. This sequential improvement in contraction was led by PV (to +4.1% from -21.1%) and motorcycles (to +0.4% from -26.0%), both of which reverted to a YoY growth in November 2019, after having reported a contraction for the previous nine and eight months, respectively. Moreover, the pace of contraction in the production of CV (to -16.4% from -45.5%) as well as scooters (to -6.1% from -25.4%) narrowed sharply in November 2019 relative to the previous month.***
- ***Additionally, the pace of contraction in the output of CIL narrowed considerably to 3.9% in November 2019 from 20.9% in October 2019, which is likely to have benefited from the easing in rainfall; nevertheless, labour issues in some mines remain an area of concern.***
- ***The YoY decline in electricity generation narrowed to 6.5% in November 2019 (+4.6% in November 2018) from the revised 13.3% in October 2019 (+10.6% in October 2018), partly on account of a favourable base effect. The pace of contraction of thermal electricity generation eased to 10.0% from 18.9%, respectively. Moreover, with healthy reservoir levels, the YoY growth of hydro electricity generation improved to 24.3% in November 2019 from 17.9% in October 2019.***
- ***Encouragingly, rail freight and diesel consumption reverted to a YoY growth in November 2019, after having contracted for three consecutive months. Diesel consumption recorded a sharp turnaround to an expansion of 8.8% in November 2019 from the contraction of 7.3% in October 2019. Additionally, rail freight reverted to a mild growth of 0.8% in November 2019 from the considerable YoY decline of 8.1% in October 2019.***
- ***Growth of refinery production increased to a seven-month high 3.8% in November 2019 from the marginal 0.2% in October 2019. In contrast, the contraction in production of crude oil worsened further to 6.0% from 5.1%, respectively.***
- ***The contraction in cargo handled at major ports narrowed to 0.2% in November 2019 (+1.6% in November 2018) from 5.3% in October 2019 (+6.4% in October 2018), partly led by a favourable base effect. Encouragingly, the growth of non-oil merchandise exports improved to 2.5% in November 2019 in US$ terms from 1.4% in the previous month, driven by the exports of electronic goods, iron ore, engineering goods etc.***
- ***The YoY performance of ATF consumption (to +5.5% from +1.2%), passenger traffic by domestic airlines (to an 11-month high +11.2% from +4.0%) and petrol consumption (to +9.2% from +8.9%) recorded an improvement in November 2019 relative to October 2019.***
- ***However, the YoY growth of bank deposit and non-food bank credit eased to 9.7% and 7.8%, respectively, on November 22, 2019 from 10.3% and 8.8%, respectively, on October 25, 2019.***

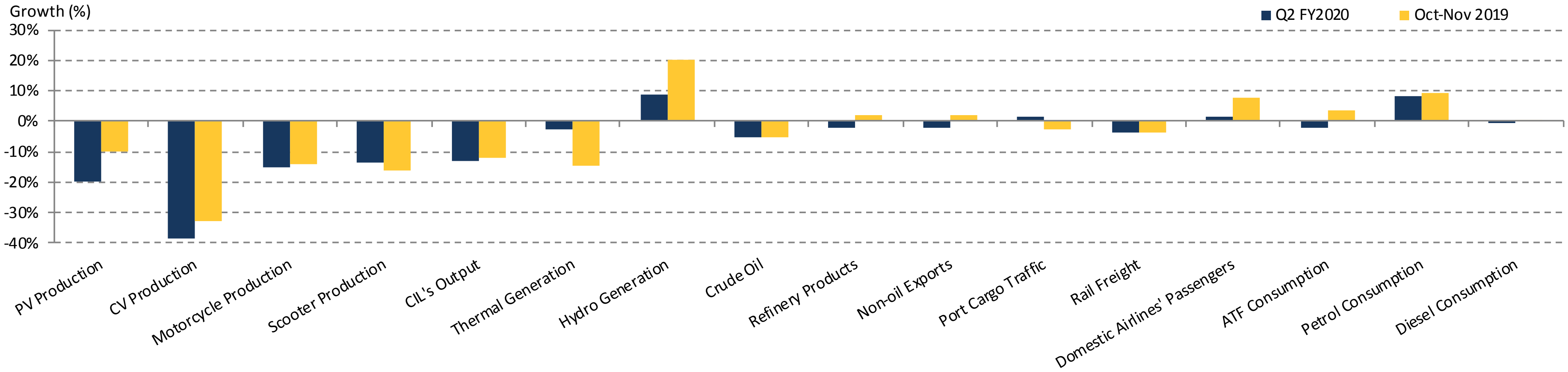
Exhibit 1: The YoY performance of 15 of the 18 early indicators displayed a sequential improvement in November 2019, partly on account of easing of base effect

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
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	-3.6	6.3	-3.2	9.4	8.6
Oct-19	-21.1	-45.5	-26.0	-25.4	-20.9	-18.9	17.9	-5.1	0.2	1.4	-5.3	-8.1	4.0	1.2	8.9	-7.3	10.3	8.8
Nov-19	4.1	-16.4	0.4	-6.1	-3.9	-10.0	24.3	-6.0	3.8	2.5	-0.2	0.8	11.2	5.5	9.2	8.8	9.7	7.8

Source: Society of Indian Automobile Manufactures (SIAM); CIL; Central Electricity Authority (CEA); Ministry of Commerce, 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

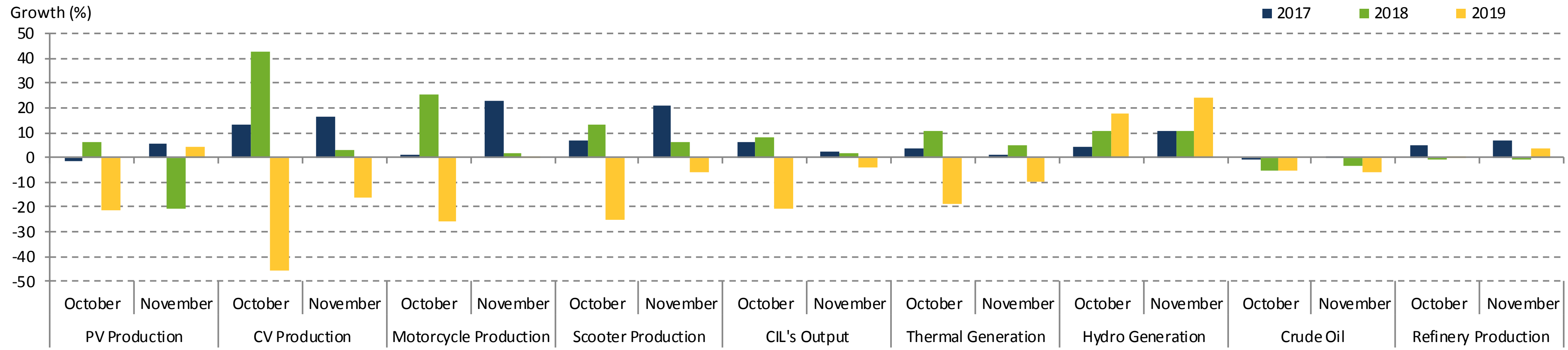
YoY growth; sequential pickup	YoY growth; sequential dip	YoY growth/contraction; no sequential change	YoY contraction; sequential pickup	YoY contraction; sequential dip

Exhibit 2: Improvement in YoY performance of 11 of 16 lead indicators in October-November 2019 relative to Q2 FY2020, suggests likely pickup in GVA growth in Q3 FY2020; nevertheless, nine indicators continued to contract in October-November 2019



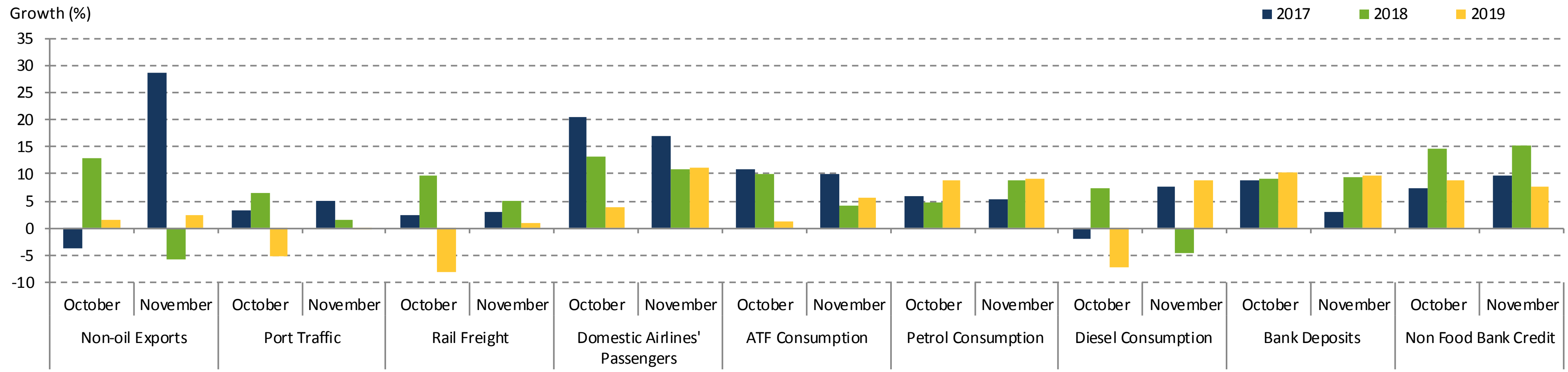
Source: PPAC; SIAM; DGCA; Ministry of Commerce, GoI; CEA; CIL; Indian Ports Association; Indian Railways; CEA; Ministry of Petroleum and Natural Gas; CEIC; ICRA research

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



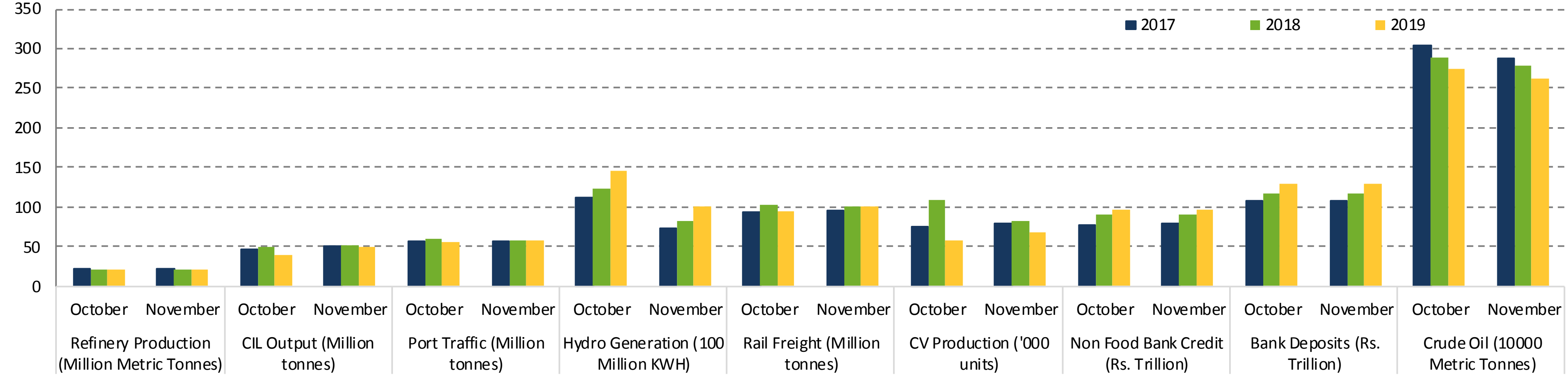
Source: SIAM; CIL; CEA; Ministry of Petroleum and Natural Gas; CEIC; ICRA Research

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



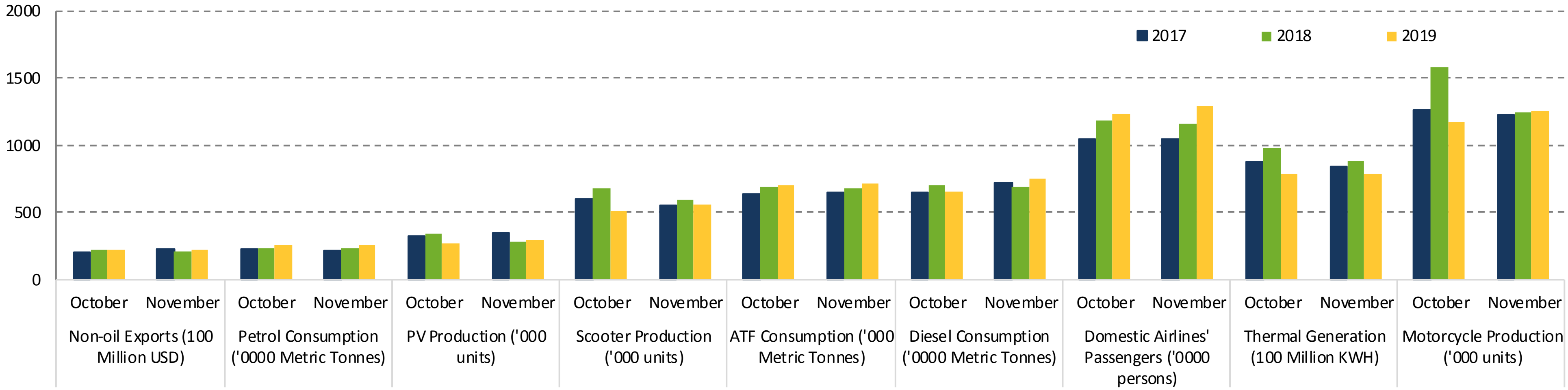
Source: Indian Ports Association; Ministry of Commerce, GoI; Indian Railways; DGCA; PPAC; RBI; CEIC; ICRA research

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



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

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



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

ICRA

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.

ICRA

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