

INDIAN ECONOMY: MONTH IN REVIEW APR 2020

Lead indicators displayed varied degree of contraction in April 2020; IIP expected to contract by 75-80% during full month of lockdown

May 2020

As expected, the extension of the lockdown to counter the Covid-19 outbreak to the entire month of April 2020, manifest in a broad-based deterioration of activity in various sectors, albeit at a mixed pace. The year-on-year (YoY) performance of 11 of the 13 available early economic indicators for which data has been explicitly reported, worsened in April 2020 relative to the previous month. Out of these 11 indicators, as many as 10 recorded a double-digit contraction in April 2020. Notably the pace of the contraction varied from a modest 6.4% for crude oil production to 91.3% for ATF consumption, highlighting the differential impact of the restrictions imposed on various sectors during the lockdown. While data on automobile production has not been explicitly released for April 2020, output is likely to have been close to zero as most plants were shut for a large part of the month during the lockdown. In contrast, the performance of the two financial indicators recorded a YoY improvement in April 2020.

Based on the available trends, we anticipate a contraction in April 2020 of 35-40% in the core sectors (6.5% in March 2020) and 75-80% in industrial output (15.8% in March 2020) led by a collapse in manufacturing volumes of non-essential items amid the lockdown, moderate decline in electricity demand and a relatively insulated mining sector.

- *While the output of CIL recorded a YoY de-growth in April 2020, the pace of the contraction was moderate at 10.9%. This indicator had reported a modest 6.5% growth in March 2020, superior to the performance of many other sectors. Moreover, the contraction in crude oil production deepened only mildly to 6.4% in April 2020 from 5.5% in March 2020. This suggests that the mining sector may be relatively insulated during the lockdown, especially as compared to manufacturing.*
- *With the lockdown in place for the full month, the YoY decline in electricity generation worsened sharply to 25.3% in April 2020 from 10.4% in March 2020, which should weigh sharply upon the performance of the core index, as well as the IIP electricity sub-index. The performance of both thermal electricity generation (to -28.5% in April 2020 from -12.9% in March 2020) and hydro electricity generation (to -12.8% from +4.6%) deteriorated in this period. Subsequently, the pace of contraction in electricity demand has narrowed to 14.9% on a YoY basis in the ongoing month (till May 27, 2020) from the considerable 24.0% in the previous month, as per the provisional data released by POSOCO, which suggests that the graded relaxation in the lockdown in the ongoing month has allowed some resumption in economic activity leading to a pickup in electricity demand.*
- *Refinery output recorded a contraction for the second consecutive month, with the pace of the same worsening considerably to 28.8% in April 2020 from the modest 5.7% in March 2020, in line with the fall in demand during the lockdown period.*
- *In the aftermath of the Covid-19 outbreak, non-oil merchandise exports (in US\$ terms) plunged in April 2020, with the pace of the YoY de-growth worsening sharply to 59.3% from 35.0% in March 2020. In addition, the cargo handled at major ports contracted by a sharp 22.1% in April 2020 as compared to the mild 5.1% in March 2020, led by considerable decline in the shipments of thermal and steam coal, containers as well as petroleum, oil and lubricants.*
- *Amid the production shutdowns, the contraction in rail freight deepened to 35.3% in April 2020 from 13.9% in the previous month. Moreover, the consumption of petrol and diesel recorded a substantial YoY decline of 60.4% and 55.6%, respectively, in April 2020 from 16.4% and 24.2%, respectively, in the previous month.*
- *Further, ATF consumption declined by a sharp 91.3% in April 2020 relative to 34.1% in March 2020, with continued restrictions on air travel.*
- *In contrast, the YoY growth of bank deposits rose to a healthy 9.8% on April 24, 2020 from 7.9% on March 27, 2020, whereas the growth of non-food bank credit increased mildly to 6.7% from 6.1%, respectively.*

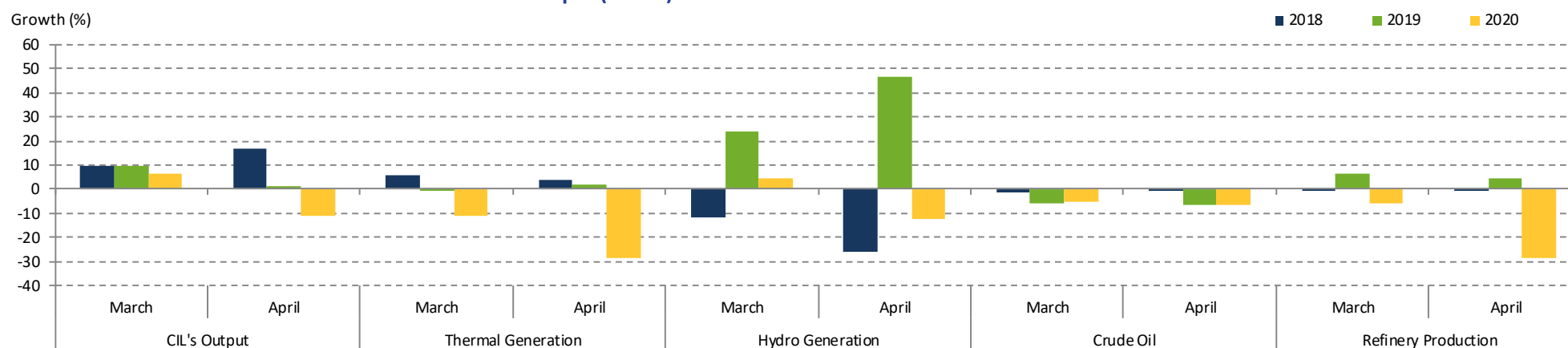
Exhibit 1: The YoY performance of all the non-financial early indicators worsened in April 2020 compared to March 2020; as many as 10 indicators posted a double-digit contraction in April 2020

Months	CIL Prod.	Thermal Gen.	Hydro Gen.	Crude Oil	Refinery Product	Non-oil Exports	Ports Cargo traffic	Rail Freight	ATF	Petrol	Diesel	Bank Deposits	Non Food Bank Credit
Feb-20	14.2	9.7	21.2	-6.4	5.2	2.0	4.0	6.5	1.7	11.3	6.2	9.0	6.1
Mar-20	6.5	-12.9	4.6	-5.5	-5.7	-35.0	-5.1	-13.9	-34.1	-16.4	-24.2	7.9	6.1
Apr-20	-10.9	-28.5	-12.8	-6.4	-28.8	-59.3	-22.1	-35.3	-91.3	-60.4	-55.6	9.8	6.7

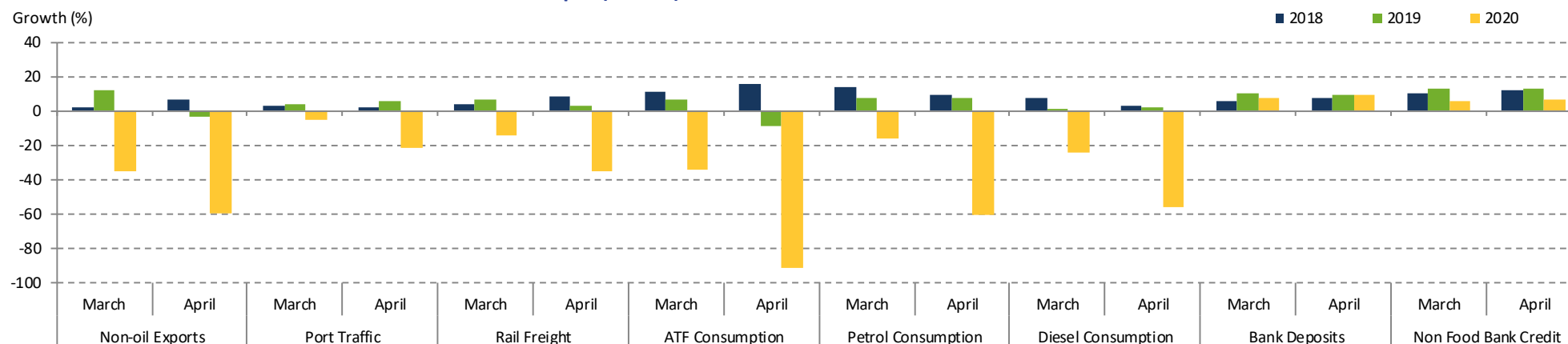
Source: CIL; Central Electricity Authority (CEA); Indian Ports Association; Ministry of Commerce, Government of India (GoI); Ministry of Petroleum and Natural Gas; Indian Railways; Reserve Bank of India (RBI); CEIC; ICRA research

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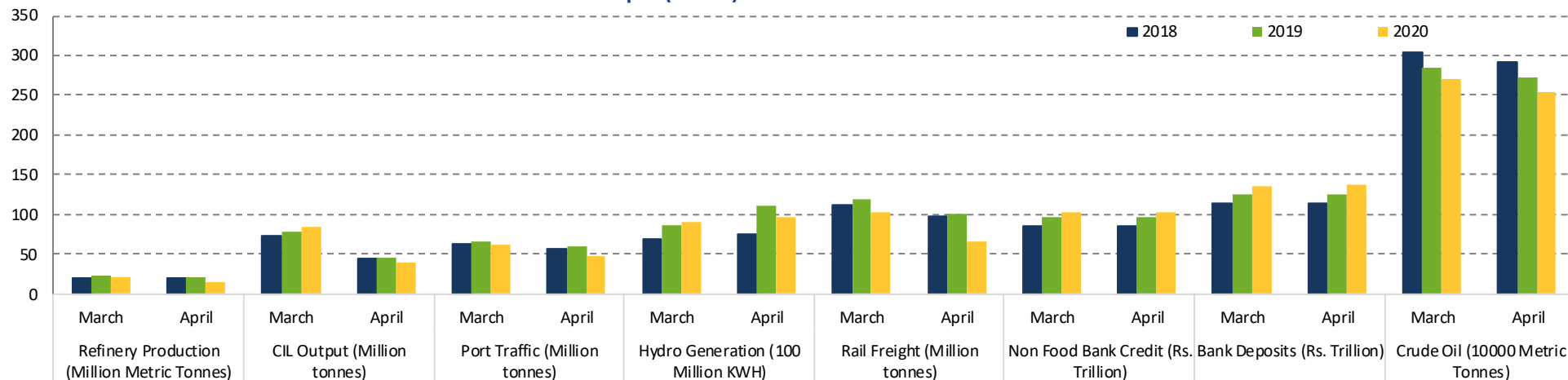
Exhibit 2: YoY Growth for Last Three Years in March and April (Part -I)



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

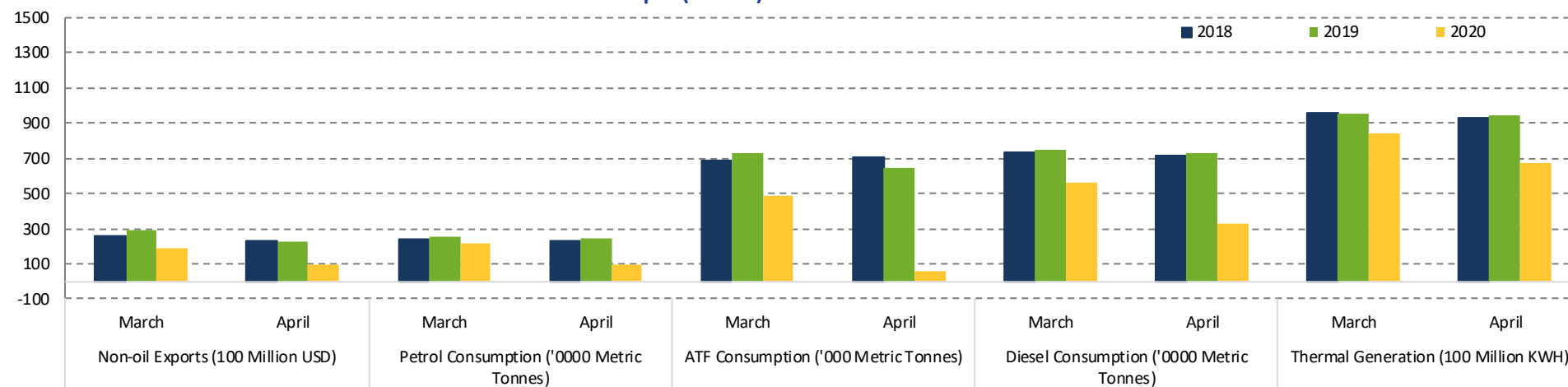
Exhibit 3: YoY Growth for Last Three Years in March and April (Part -II)

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

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

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

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



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



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