

November Industrial growth contracts by -3.2%

November IIP contracted by -3.2% after having risen to a five year high of 9.8% in October. IP print is well below consensus estimates of 2.0% growth. The main reason for the sharp fall in industrial production can be attributed to fewer working days in the month due to Diwali and other holidays, and the sharp fall in capital goods output (-24.4%). Basic goods and intermediates grew by 0.7%, consumer durables expanded by 12.5% (last year was -14.5%) showing some traction in urban demand while consumer non durables contracted by 4.7% showing lack of rural demand.

Mining grew by 2.3%, Manufacturing contracted 4.4% and Electricity grew by 0.7%.

Within durables; Gems and Jewellery alone contributed to almost 1.46% to the IIP number. In the cap goods sector, Cable, Rubber contributed to 2.3% fall in overall production numbers, and is responsible for the total contraction in cap goods segment for the month (24.4%).

October IIP was revised to 9.9% from 9.8%

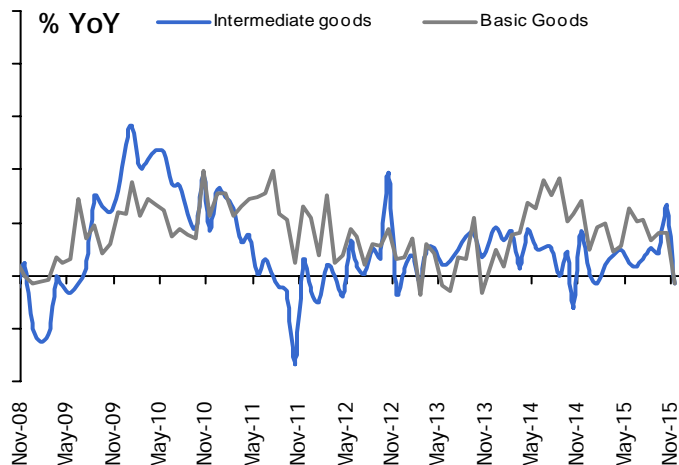
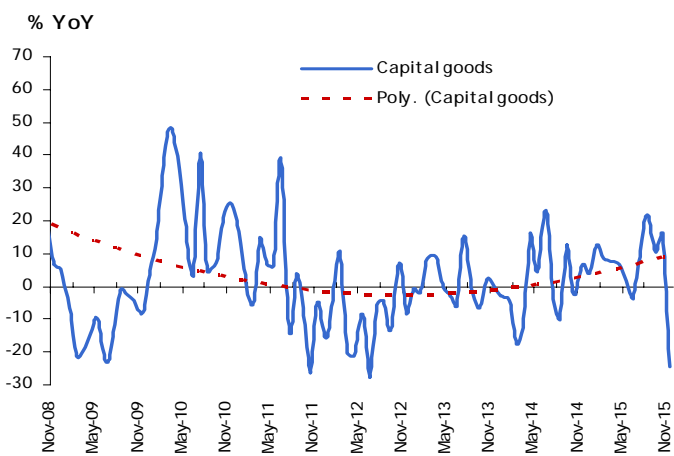
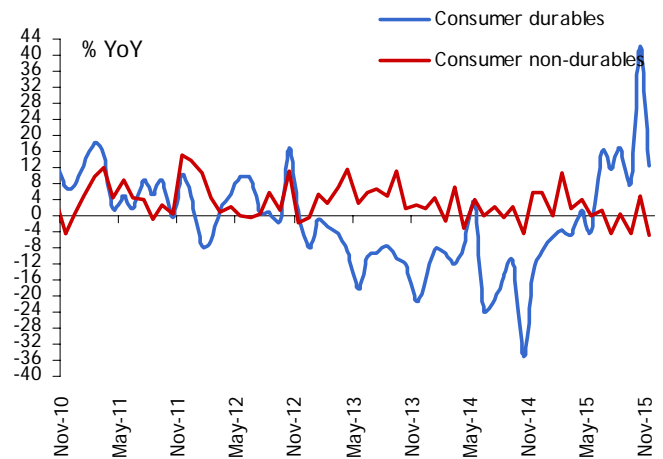
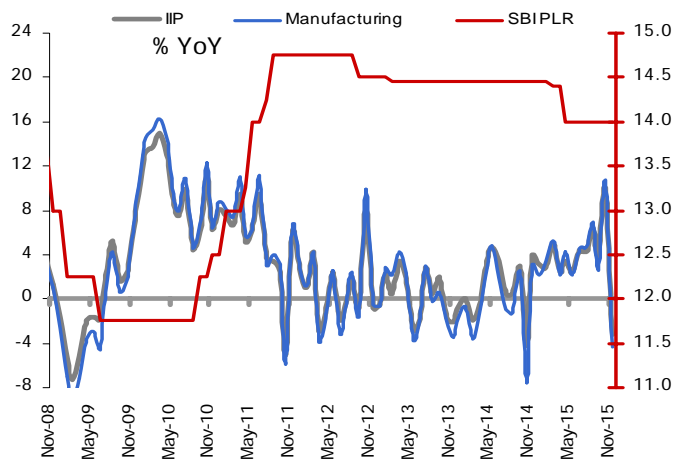
FY16 Expectation

On a cumulative basis April - November IIP growth is 3.9% against 2.5% in the previous year. Capital goods has grown by 4.7% compared with 4.9% last year and consumer durables has grown 11.9% against -15.9% in previous year. Consumer non durable growth continues to be poor at -0.5% YTD compared with 1.8% in the previous year.

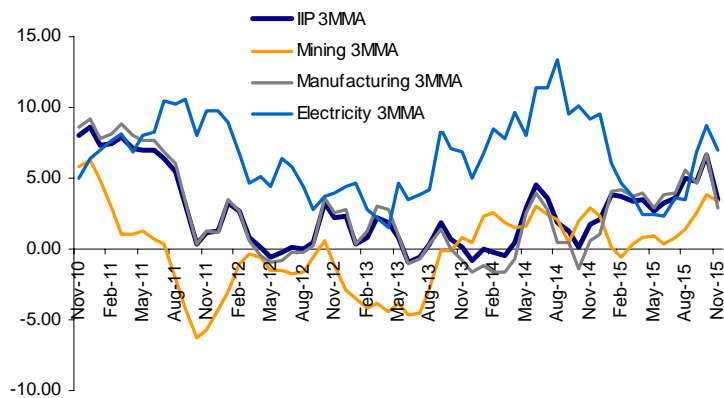
Industrial growth has been poor for the past three years (average 1.3%) and we expect mild revival this year with growth of around 5.0%. Capital goods performance has been reasonably positive thus far (except November) and we expect this sector to continue to outperform due to infrastructure projects undertaken by the government. Consumer durable growth has also surprised positively in the period Apr - Nov (although on a favorable base and some urban demand revival) while non durables is disappointing (showing some rural distress).

IIP Snapshot

	Nov-14	Aug-15	Sep-15	Nov-15	Apr - Nov 2015
Mining	4.00	3.0	4.7	2.3	2.1
Manufacturing	4.70	2.9	10.6	-4.4	3.9
Electricity	10.00	11.4	9.0	0.7	4.6
Basic Goods	9.5	4.2	4.1	-0.7	3.8
Capital Goods	7.0	10.3	16.1	-24.4	4.7
Intermediate Goods	4.7	2.1	6.7	-0.7	2.2
Consumer Goods	-1.6	1.2	18.4	1.3	4.1
Consumer Durables	-14.5	8.4	42.2	12.5	11.9
Consumer Non Durables	7.0	-3.5	4.7	-4.7	-0.5
General	5.2	3.8	9.8	-3.2	3.9



3 month moving average of key sectors shows some uptick this year.



Some of the items showing high positive growth are:

The industry group 'Furniture; manufacturing n.e.c.' has shown the highest positive growth of 102.1 percent followed by 11.1 percent in 'Office, accounting & computing machinery' and 9.7 percent in 'Radio, TV and communication equipment & apparatus'. Some other important items that have registered high positive growth include 'Gems and Jewellery' (253.7%), 'Sugar Machinery' (78.0%), 'Lubricating oil' (66.5%), 'Wood Furniture' (46.9%), 'PVC Pipes and Tubes' (31.4%), 'Transformers (small)' (30.2%), 'Polypropylene (including co-polymer)' (30.1%) and 'Sugar' (25.7%).

Some of the important items showing high negative growth are:

The industry group 'Electrical machinery & apparatus n.e.c.' has shown the highest negative growth of (-) 46.5 percent, followed by (-) 13.8 percent in 'Luggage, handbags, saddlery, harness & footwear'. Some important items showing high negative growth during the current month over the same month in previous year include 'Cable, Rubber Insulated' [(-) 87.1%], 'Heat Exchangers' [(-) 68.2%], 'Polythene Bags including HDPE & LDPE Bags' [(-) 58.0%], 'Tractors (complete)' [(-) 42.3%], 'Conductor, Aluminium' [(-) 36.8%], 'Rice' [(-) 27.1%] and 'Three-Wheelers (including passenger & goods carrier)' [(-) 23.7%].

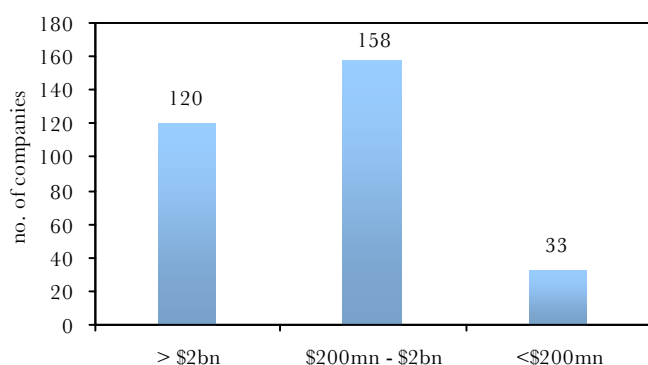
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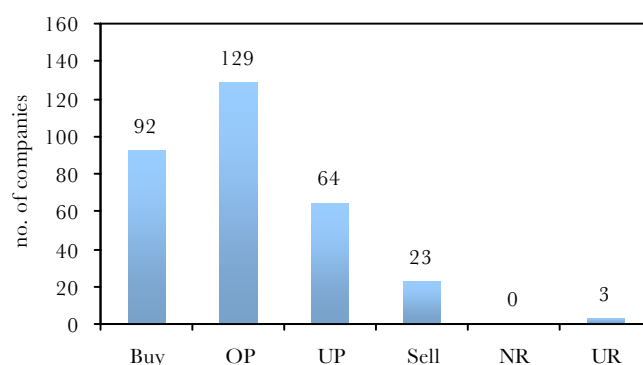
B&K Economic Research

B&K Universe Profile

By Market Cap (US\$ mn)



By Recommendation



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