

October industrial growth jumps to 9.8% - Above estimates

October IIP growth jumped to 9.8%, highest in the past 5 years, compared with 3.8% in September. IP print is higher than our estimate of 7.5%. The main reason for the sharp jump was the low statistical base and the shift in festive season which aided consumption numbers. However, Cap goods growth at 16.1% is heartening and there seems to be some genuine traction in this area. Consumer durables expanding by whopping 42.2% (last year was -35.2%) due to some extra working days and shift of festive season compared with last year while non-durables grew by 4.7%. Basic goods grew 4.1%, intermediate grew by 6.7%.

Mining grew by 4.7%, Manufacturing by 10.6% and Electricity by 9.0%.

Within durables; Gems and Jewellery alone contributed to almost 2.0% to the IIP number and within cap goods; Cable, rubber contributed 1.06% to the IP print.

Sep IIP was revised to 3.8% from 3.6%.

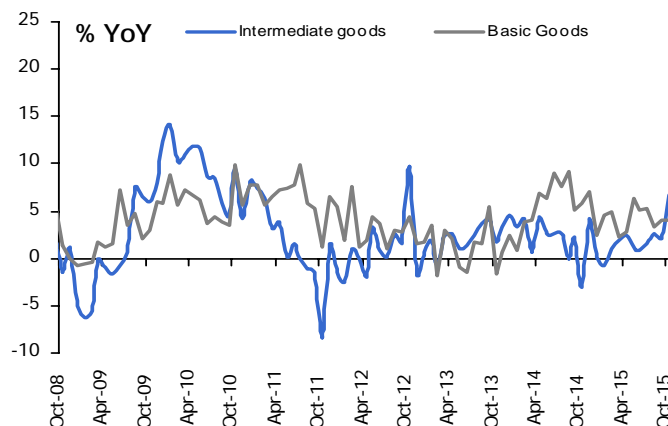
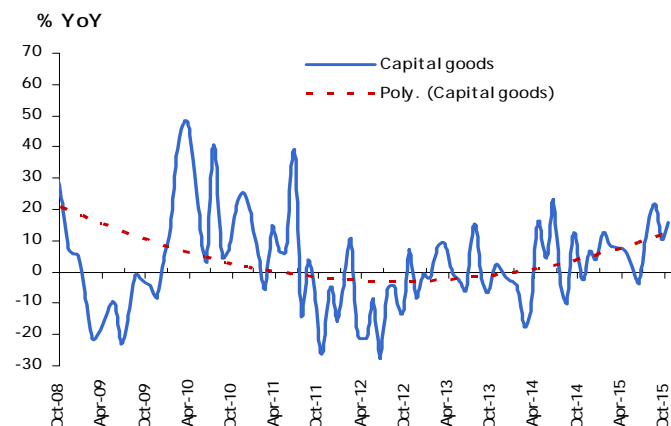
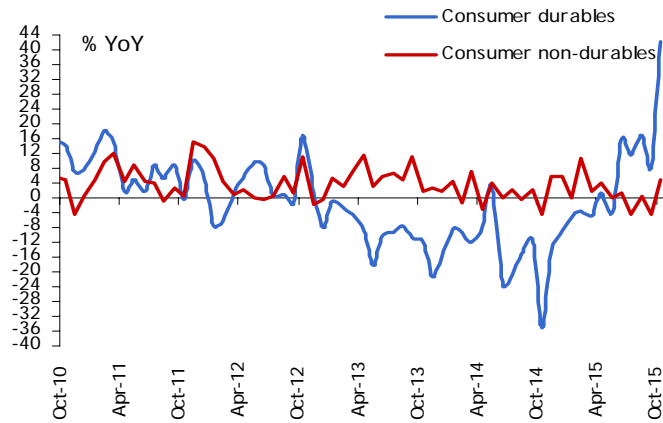
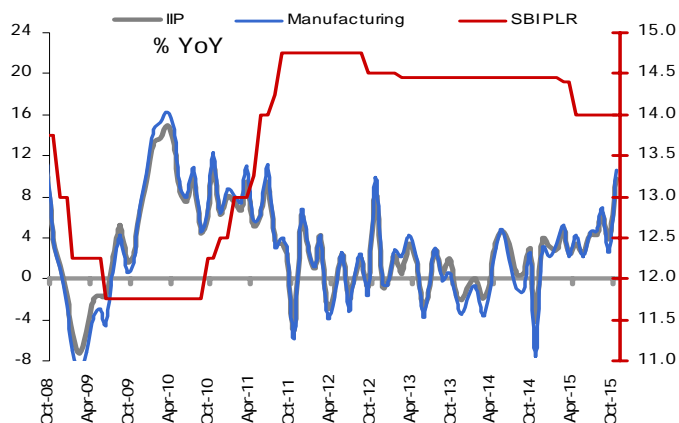
FY16 Expectation

On a cumulative basis April - October IIP growth is 4.8% against 2.2% in the previous year. Capital goods has grown 8.9% compared with 4.6% and consumer durables has grown 11.8% against -16.0% in previous year. Consumer non durable growth continues to be poor at just 0.1% YTD compared with 1.1% in the previous year.

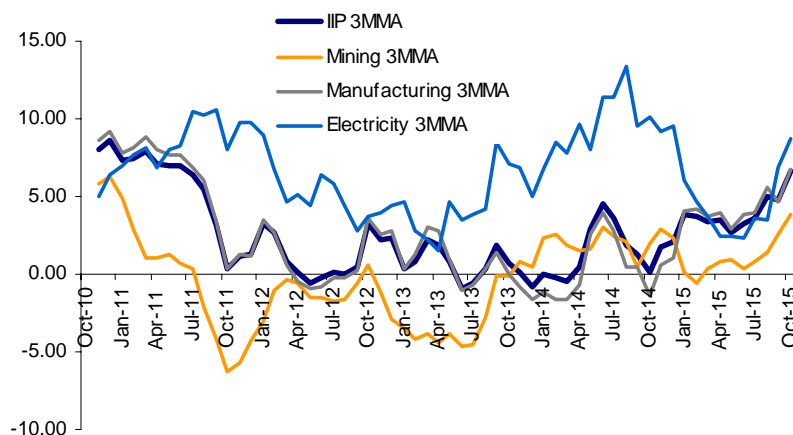
Industrial growth has been poor for the past three years (average 1.3%) and we expect mild revival this year with growth of around 5.0%. Capital goods performance has been reasonably positive thus far and we expect this sector to continue to outperform due to infrastructure projects undertaken by the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

IIP Snapshot

	Oct-14	Aug-15	Sep-15	Oct-15	Apr - Oct 2015
Mining	4.50	4.2	3.0	4.7	2.0
Manufacturing	-5.60	6.6	2.9	10.6	5.1
Electricity	13.70	5.6	11.4	9.0	5.2
Basic Goods	9.7	3.5	4.2	4.1	4.4
Capital Goods	-3.2	21.4	10.3	16.1	8.9
Intermediate Goods	-3.4	3.1	2.1	6.7	2.6
Consumer Goods	-18.2	6.0	1.2	18.4	4.5
Consumer Durables	-35.2	17.0	8.4	42.2	11.8
Consumer Non Durables	-3.6	-1.0	-3.5	4.7	0.1
General	-2.7	6.4	3.8	9.8	4.8



3 month moving average of key sectors shows an uptick across sectors.



Some of the items showing high positive growth are:

The industry group 'Furniture; manufacturing n.e.c.' has shown the highest positive growth of 138.9%, followed by 48.4% in 'Office, accounting & computing machinery' and 47.5% in 'Radio, TV and communication equipment & apparatus'. Some of the important items showing high positive growth during the current month over the same month in previous year include 'Gems and Jewellery' (372.5%), 'Sugar Machinery' (103.4%), 'Telephone Instruments including Mobile Phone and Accessories' (61.5%), 'Ethylene' (58.4%), 'PVC Pipes and Tubes' (48.5%), 'Antibiotics & its Preparations' (38.5%), 'Steel Structures' (35.5%), 'Colour TV Sets' (34.5%), 'Cable, Rubber Insulated' (31.3%), 'Aluminium wires & extrusions' (28.4%), 'Scooter and Mopeds' (24.5%) and 'Passenger Cars' (21.4%).

Some of the important items showing high negative growth are:

The industry group 'Publishing, printing & reproduction of recorded media' has shown the highest negative growth of (-) 10.2%, followed by (-) 6.8% in 'Medical, precision & optical instruments, watches and clocks' and (-) 2.9% in 'Coke, refined petroleum products & nuclear fuel'. Some of the other important items showing high negative growth are: 'Polythene Bags including HDPE & LDPE Bags' [(-) 61.8%], 'Ship Building & Repairs' [(-) 46.5%], 'Grinding Wheels' [(-) 36.3%], 'Instant Food Mixes (Ready to eat)' [(-) 29.5%], 'Furnace Oil' [(-) 25.8%] and 'Aviation Turbine Fuel' [(-) 24.0%].

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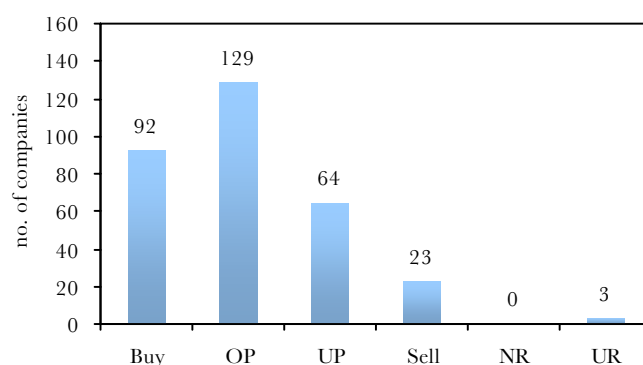
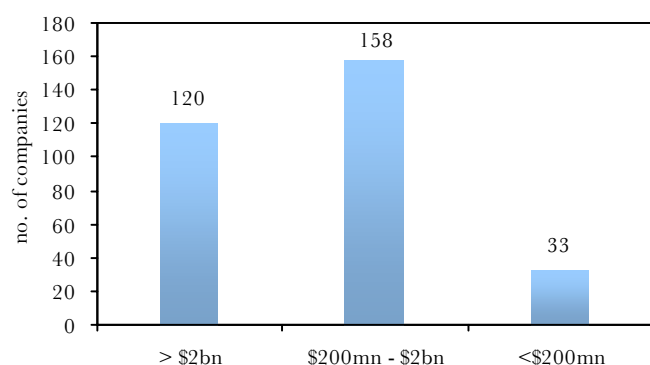
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B&K Economic Research

B&K Universe Profile

By Market Cap (US\$ mn)

By Recommendation



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