



## RESEARCH REPORT

# IIP | MONTHLY



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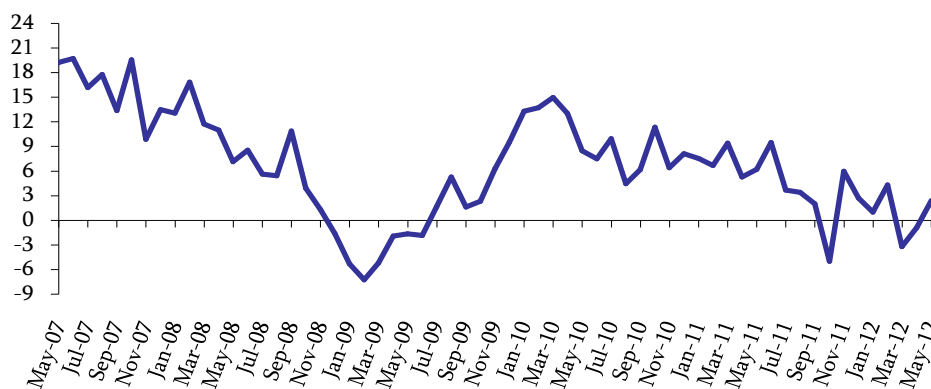
The Index of Industrial Production grew by 2.4 percent in May 2012 from a year earlier, after declining by 0.9 percent in the previous month.

India's Industrial Production growth picked up to 2.4 percent YoY in May 2012 against -0.9 percent last month. This uptick was driven by the improvement in production of Manufacturing sector. Healthy growth was also witnessed in Basic Goods and Consumer Durables sectors. However, Mining and Capital Goods sectors continued to be weak with both registering decline in output. In value terms, for the month of May, 2012, the Index of Industrial Production (IIP) increased to 170.2 from a revised 164.7 in April 2012, registering a sequential growth of 3.3 percent. The worrying aspect in today's data was the revision in April's number. IIP growth rate for April 2012 was revised to -0.9 percent from 0.1 percent reported earlier, resulting in an average growth of mere 0.8 percent YoY for the April-May FY2012-13 period against 5.7 percent YoY during the corresponding period of last year.

**Outlook:** Today's IIP number is a bit positive than last time but the high degree of volatility raises questions about the reliability of the number after the April's data revision. The overall economic activities are still remained subdued and unlikely to revive unless Government executes some major reforms. So all eyes are now on the Government on expectation of a range of reforms post presidential elections.

**Policy Outlook:** Interest rate cut will still be driven by inflation trajectory. Despite a slowdown in economic activities, Indian's Inflation has continued to remain high, above 7.0 percent. Moreover a delayed monsoon, along with higher MSPs and the much-needed diesel price hike, when applied will take overall WPI Inflation to further higher level. Given this upside risk, we expect July policy meeting would be a non-event in terms of Repo Rate cut.

**Exhibit 1: IIP Trend (YoY %)**



Source: Bloomberg

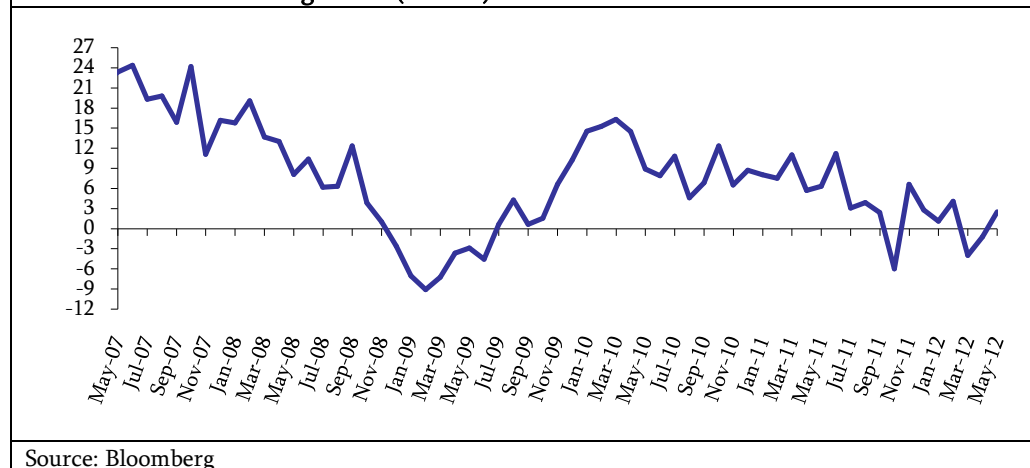
## Manufacturing Sector

On YoY basis, production of Manufacturing sector grew by 2.5 percent in May, 2012 against a decline of 1.2 percent registered in the previous month.

Manufacturing sector which accounts 75.5 percent in IIP index, grew at its highest level in last 3 months. The sector grew by 2.5 percent in May, 2012 from a year earlier against a fall of 1.2 percent YoY last month. The Index of Manufacturing Sector increased to 178.9 from 173.9 in the previous month, registering a sequential growth of 2.9 percent. Industry-Wise, 12 out of 22 industry groups in the Manufacturing sector reported positive growth. The industry group 'Radio, TV and Communication Equipment and Apparatus' has shown the highest growth of 16.4 percent YoY, followed by 13.7 percent YoY in 'Machinery and Equipment n.e.c.' and 12.6 percent YoY in 'Fabricated metal products, except machinery

and equipment'. On the other hand, the industry group 'Electric Machinery and apparatus n.e.c.' has shown a negative growth of 28.6 percent YoY, followed by 14.9 percent YoY in 'Furniture; Manufacturing n.e.c.' and 6.8 percent YoY in 'Wearing apparel; dressing and dyeing of fur'.

**Exhibit 2: Manufacturing Trend (YoY %)**



## Mining Sector

Mining output growth fell once again in April 2012 but in a modest pace. Production of Mining Sector declined by 0.9 percent in May, 2012 from a year earlier, against a fall of 3.2 percent registered in the previous month. The index actually increased to 129.7 from 124.3 in April 2012, registering MoM growth of 4.3 percent.

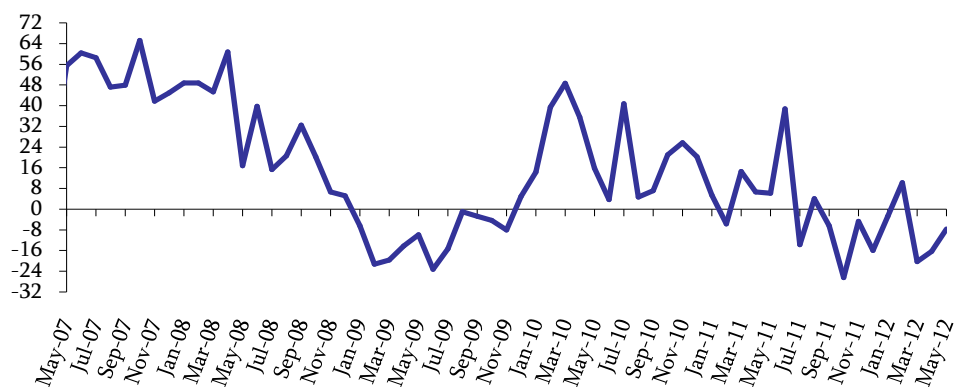
## Consumer Goods Sector

During the month of May 2012, Consumer Goods sector registered a growth of 4.3 percent YoY compared with 3.7 percent YoY growth registered in April 2012. The index for Consumer Goods Sector stood at 187.0 vis-a-vis 187.5 in the previous month, registering MoM fall of 0.3 percent. During May 2012, Consumer Durables growth surprisingly came in at a strong 9.3 percent YoY against 5.2 percent YoY last month. However, the worrying aspect is the performance of Consumer Non-Durables sector, which showed almost stagnant growth of 0.1 percent YoY in May against 2.5 percent in April.

## Capital Goods Sector

Continuing its downtrend, production of Capital Goods sector contracted once again in May. The sector has posted a negative growth of 7.7 percent YoY in May, 2012 over the same month of the previous year. Growth rate in Capital Goods sector was -19.6 percent YoY in April 2012. The index for Capital Goods Sector stood at 229.5 against 212.9 in the previous month, registering a growth of 7.8 percent on MoM basis.

On YoY basis, production of Consumer Durables sector grew by 9.3 percent YoY in May, 2012, compared with a growth of 5.2 percent YoY in April 2012.

**Exhibit 3: Capital Goods Trend (YoY%)**


Source: Bloomberg

**Exhibit4: IIP INDEX**

Particulars	May-12		Apr-12		FYTD 2012-13	FYTD 2011-12
	Index	YoY(%)	Index	YoY(%)	YoY (%)	YoY (%)
Industrial Production	170.2	2.4	164.7	-0.9	0.8	5.7
Manufacturing	178.9	2.5	173.9	-1.2	0.6	6.0
Mining	129.7	-0.9	124.3	-3.2	-2.0	1.6
Basic Goods	155.5	4.1	148.2	2.1	3.1	7.3
Intermediate Goods	147.6	2.7	142.1	-1.6	0.6	2.0
Consumer Durables	309.0	9.3	305.5	5.2	7.2	3.3
Consumer Non Durables	138.6	0.1	140.8	2.5	1.3	6.8
Capital Goods	229.5	-7.7	212.9	-19.6	-13.8	6.4

Source: Bloomberg



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