Industrial Production – Mar 09

Current Scenario:

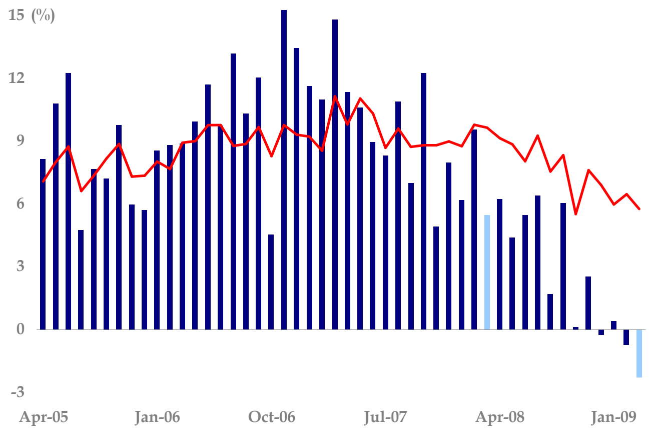
- IIP contracted 2.3% in Mar'09, compared to contraction of 0.7% in Feb'09 and 5.5% growth in Mar'08 on account of lower demand and de stocking.
- Cumulative IIP growth during FY09 plunged to 2.4% YoY from 8.5% same period last year
- Consumer durable goods improved due to the effects of the pay hike following the implementation of Sixth Pay Commission and unraveling of stimulus package
- Intermediate goods and consumer non-durable sectors both showed sluggish performance of (4.4)% and (3.6)% in Mar'09 compared to 4.9% and 1.9% growth in Mar'08 respectively
- A decent performance in Cement, Steel, and Auto sector was the key driver to push the Infrastructure Index to 2.9%
- Feb'09 IIP revised upward to (0.7)% from (1.2)%

Outlook:

- Various fiscal and monetary stimuli and increasing government spending could drive lot of demand resulting in marginally positive IIP next month.
- Towards first week of June onwards, we expect WPI to enter the negative territory
- Increased government spending has led to heavy market borrowing thereby pushing up the bond yields and to some extent have negated the effect of central bank's rate cuts
- Market strongly expects a rate cut on account of near zero inflation as measured by WPI but the RBI might hesitate to undertake a major move as CPI still remains elevated.
- Huge inventory overhang resulted in De-stocking in 1Q and restocking demand in 2Q could drive IIP on the positive side

IIP

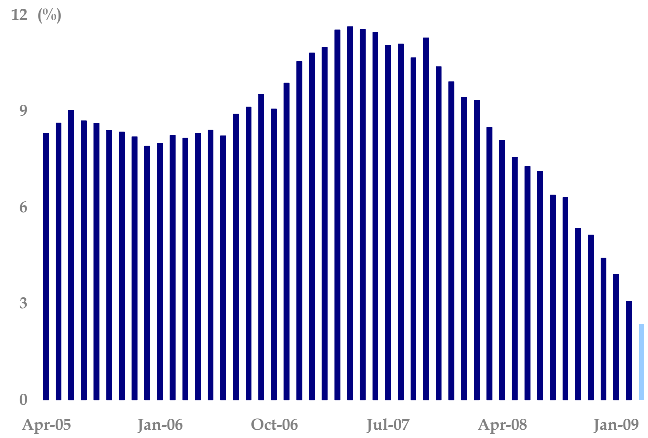
Monthly IIP dipped to (2.3)% in Mar'09; 3-year rolling CAGR stood at 5.75%



Source: Khandwala Research, Bloomberg, CSO

12-mths Rolling IIP

12-mths rolling IIP is on a declining mode and have reached Apr'02 levels. Various stimulus have been taken to push the growth at 6.0% going forward

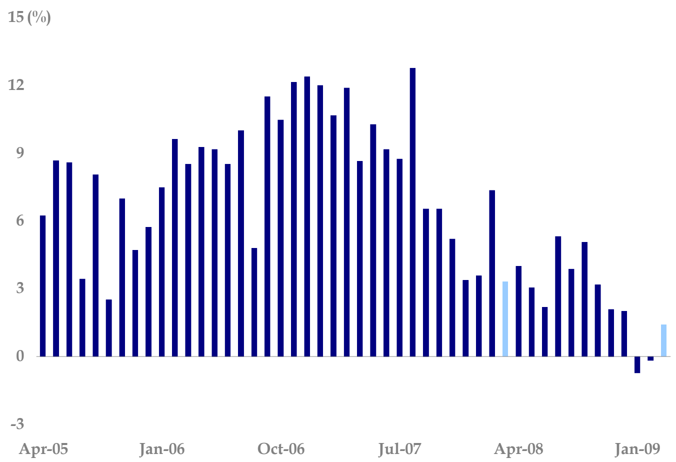


Source: Khandwala Research, Bloomberg, CSO

User-based Classification

Basic Goods

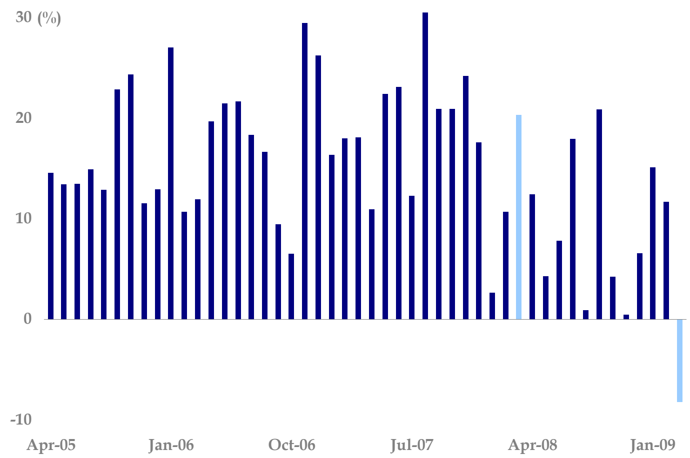
Basic goods have grown 1.4% YoY compared to 3.3% in Mar'08. The growth rate for FY09 was 2.5% YoY compared to 7% in the earlier period.



Source: Khandwala Research, Bloomberg, CSO

Capital Goods

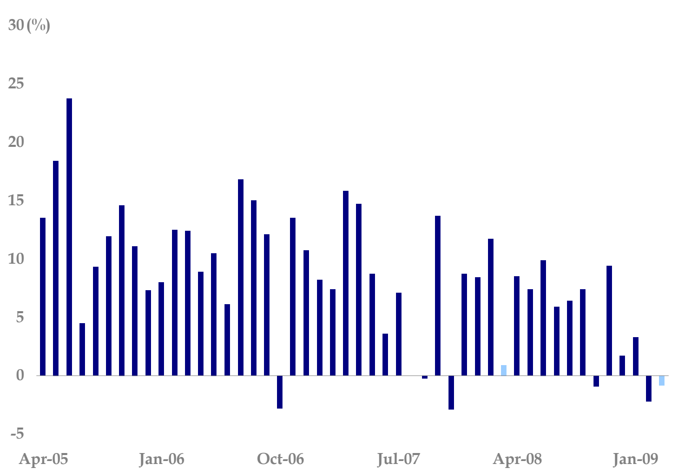
Capital goods growth contracted to (8.2)% YoY compared to 20.3% in Mar'08. This was mainly on account of higher base effect. The growth rate for FY09 stood at 7% YoY compared to 18% in the earlier period.



Source: Khandwala Research, Bloomberg, CSO

Consumer Goods

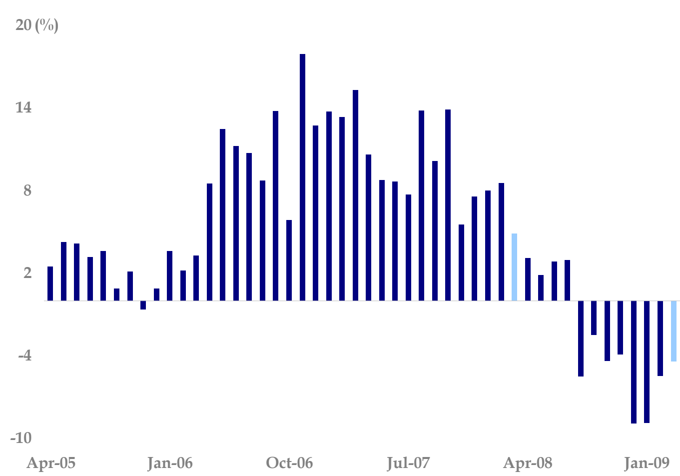
Consumer goods sector growth plummeted to (0.8)% YoY. Consumer durable sector improved significantly to 8.3% YoY compared to (2.0)% in Mar'08. Consumer non-durable sector recorded a poor performance of (3.6)% YoY growth compared to 1.9% in Mar'08. Overall the growth rate for FY09 trimmed to (3.0)% YoY compared to 2.3% in earlier period.



Source: Khandwala Research, Bloomberg, CSO

Intermediate Goods

Intermediate goods sector plummeted to (4.4)% YoY compared to 4.9% growth in Mar'08 on account of lower pricing of goods. The growth rate for FY09 nose-dived to (2.8)% YoY compared to 8.9% in earlier period.

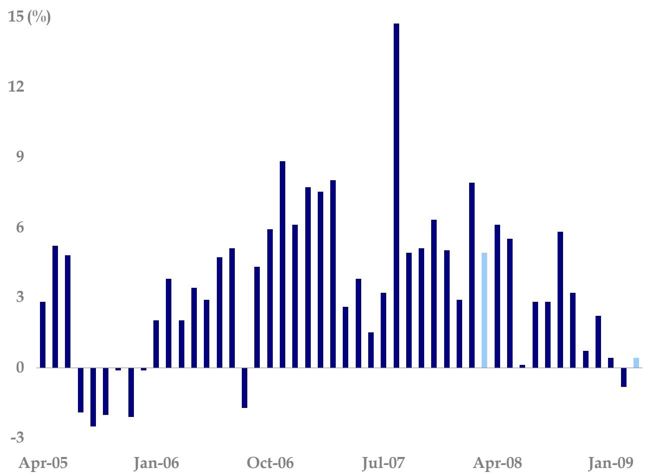


Source: Khandwala Research, Bloomberg, CSO

Broad-based Classification

Mining

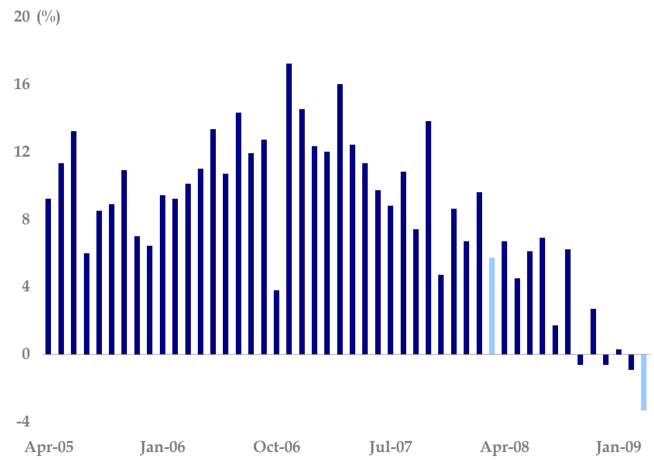
Mining sector increased by 0.4% YoY as compared to 4.9% growth in Mar'08. The growth rate for FY09 reduced to 2.3% YoY as against 5.1% last year



Source: Khandwala Research, Bloomberg, CSO

Manufacturing

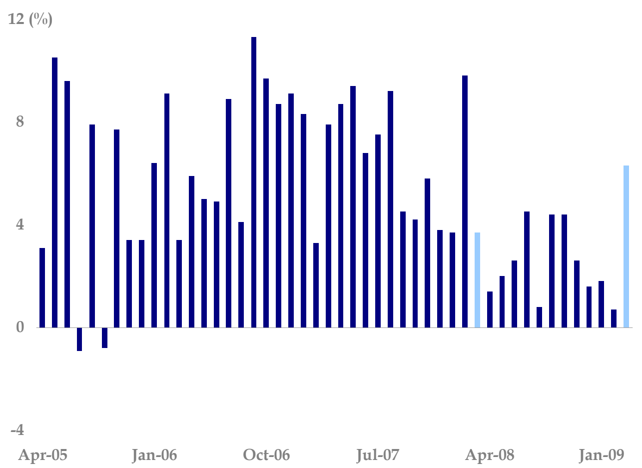
Manufacturing sector dropped to (3.3)% YoY compared to 5.7% in Feb'08. The growth rate for FY09 dipped to 2.3% YoY compared to 9% in earlier period.



Source: Khandwala Research, Bloomberg, CSO

Electricity

Electricity growth increased 6.3% YoY compared to 3.7% in Feb'08 on account of continous demand supply deficit. While the growth rate for FY09 reduced to 2.8% YoY compared to 6.4% in earlier period.



Source: Khandwala Research, Bloomberg, CSO

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