



Industrial Production - Dec'09

Current Scenario:

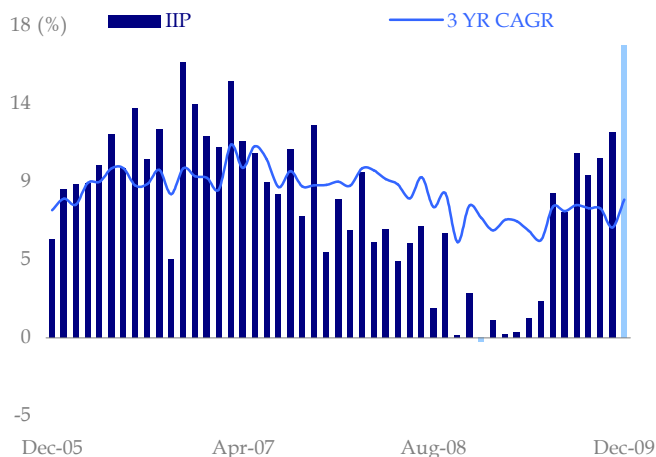
- ✓ Dec'09 IIP jumped highest in sixteen years, at 16.8% YoY compared to decline of 0.2% in Dec'08
- ✓ Cumulative IIP growth for Apr-Dec'09 accelerated to 8.6% compared to 3.6% Apr-Dec'08
- ✓ Consumer durables and Capital goods, indicators of both private and industrial consumption, registered spectacular growth of 38.8% YoY as compared to 6.6% and 46.0% as compared to (4.2)% in Dec'08 respectively
- ✓ All the core sectors Index outperformed MoM especially cement sector with 11.9% MoM growth thereby boosting the Infrastructure Index growth to 6.0% YoY
- ✓ Nov'09 IIP is revised upwards by 10 bps to 11.8% while Sep'09 is (final) revised downward to 9.3% by 30 bps

Outlook:

- ✓ IIP growth for the next quarter is expected to be in double digits on the back of low base effect, pick up in consumer and business sentiment as reflected in Jan'10 PMI of 57.6 and higher auto sales
- ✗ Improving production figures and lower indirect tax revenues is likely to prompt Govt to roll back some of the stimulus
- ✓ FY10 GDP likely to inch closer to 8% mark compared to 6.7% in FY09
- ✗ Rising global commodity prices, increasing pressure of demand side factors, poor monsoon and lower base effect together is likely to push WPI to meet RBI's inflation expectation of 8.5% for FY10 by Jan'10 itself
- ✗ Alarming inflation and higher growth in economic activity is likely to make stronger case for monetary tightening in RBI's next policy review

IIP

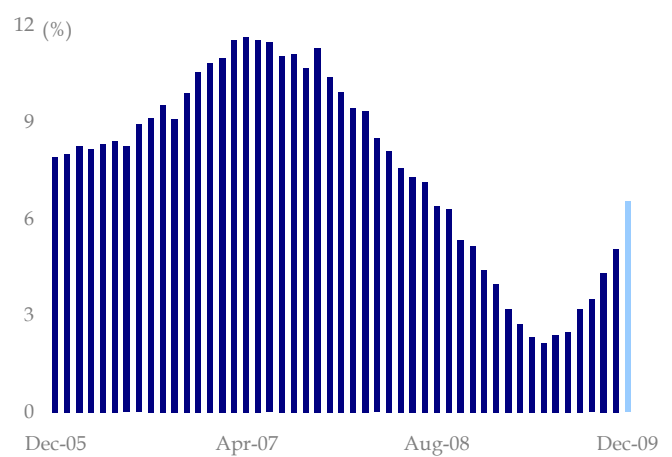
IIP showed a sharp growth of 10.9% MoM growth, fastest pace in nearly three years, as compared to 3.1% MoM in Nov'09 and 6.1% MoM in Dec'08.



Source: Khandwala Research, Bloomberg, CSO

12-mths Rolling IIP

12-mths rolling IIP increased by 150 bps to 6.5% as compared to 5.1% in Nov'09 and 4.4% in Dec'08.



Source: Khandwala Research, Bloomberg, CSO

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Infrastructure Index

Industry (% Change)	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Dec-08	Apr-Dec FY10	Apr-Dec FY09
Crude Oil	-3.1	-4.3	4.0	-0.4	-2.6	-0.5	-2.2	-1.5	1.1	-0.3	-1.1	-0.5
Refinery	-4.5	-4.3	-3.8	-14.4	3.1	3.4	7.2	4.9	0.9	3.0	-0.8	3.8
Coal	13.2	10.2	14.7	9.7	12.9	6.5	5.0	4.6	2.5	11.2	8.8	8.8
Cement	11.8	11.8	12.8	14.0	17.6	6.5	5.2	9.0	11.0	11.6	11.1	6.6
Steel	-1.3	2.8	3.6	4.0	0.3	0.8	2.5	11.7	9.6	-8.0	3.8	2.0
Electricity	7.1	3.3	8.0	4.2	10.6	7.9	4.7	3.3	5.4	1.5	6.1	2.7
Infrastructure	3.7	3.2	6.3	3.3	6.5	4.5	3.8	6.0	6.0	0.7	4.8	3.2

Sector Analysis

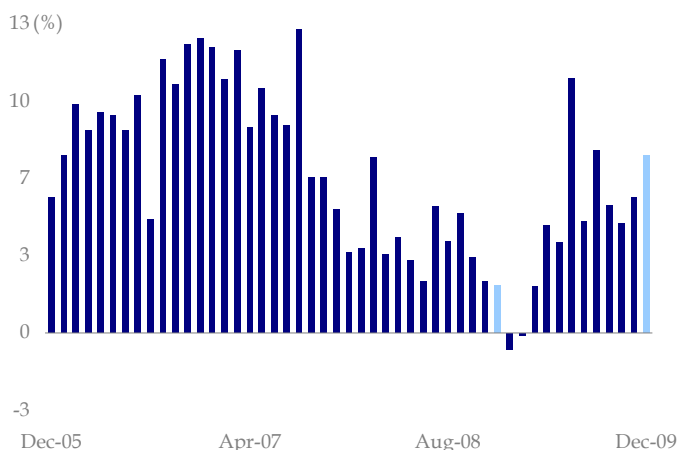
Industry (% Growth)	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Dec-08
CV Sales	-13.0	-18.9	-15.1	5.2	10.8	3.2	46.0	95.5	162.7	-58.2
Two-wheeler Sales	9.4	11.5	14.9	18.2	21.6	7.8	10.7	38.4	59.9	-10.1
Car Sales	8.7	4.5	16.2	27.5	25.3	20.6	29.7	53.4	47.8	-3.5
Cement Dispatches	14.8	12.9	15.2	11.3	18.6	7.7	9.0	10.8	14.3	12.7
Infrastructure	3.7	3.2	6.3	3.3	6.5	4.5	3.8	6.0	6.0	0.7



Use-based Classification

Basic Goods

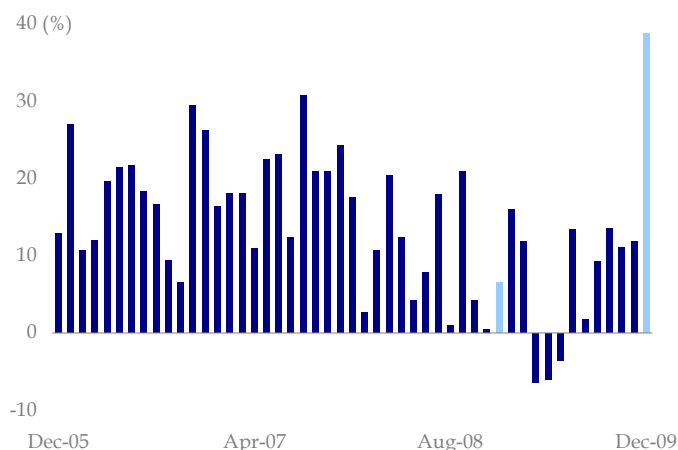
Basic goods registered a growth of 7.5% YoY compared to 2.0% in Dec'08. Higher growth in cement sector of 11.0% and Electricity of 5.4% boosted the growth in this sector. The growth rate for first nine months rose to 6.0% as compared to 3.4% in the previous year.



Source: Khandwala Research, Bloomberg, CSO

Capital Goods

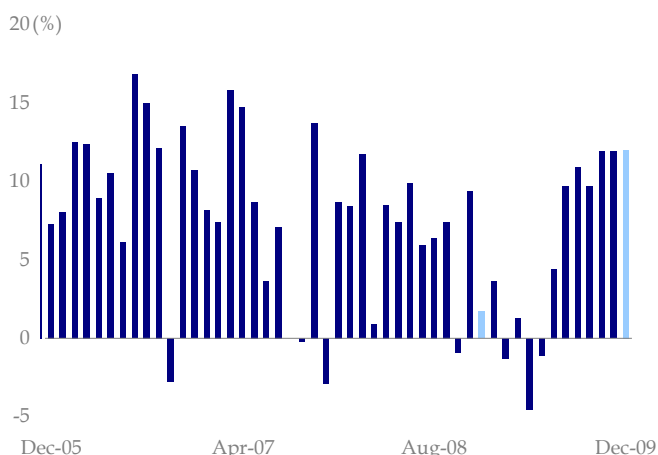
Sector surged to 41.1% MoM and 38.8% YoY as compared to 6.6% YoY growth last year. Sector has witnessed sharp growth on back of higher growth in Transport equipments of 82.2%, machinery equipments of 44.6% and CV sales growth of 1.6 times YoY.



Source: Khandwala Research, Bloomberg, CSO

Consumer Goods

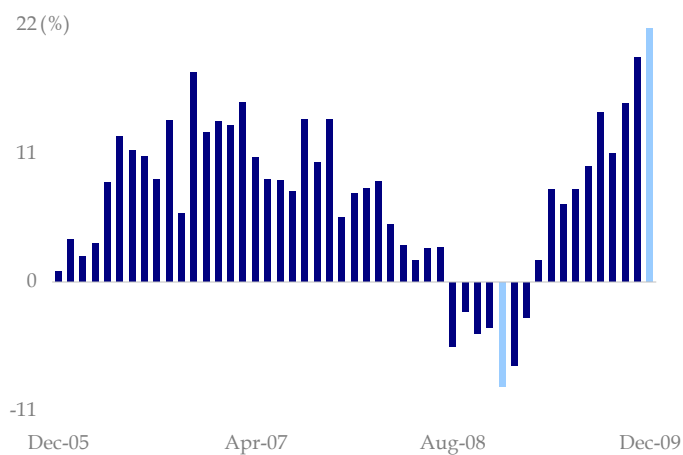
Consumer goods sector grew to 12.0% YoY as compared to mere growth of 1.7%. Consumer durable sector augmented to a growth of 46.0% as compared to (4.2)%. Consumer non-durable sector grew steadily at 3.7% YoY as compared to 3.2% in Dec'08. Slower growth in Non durable sector is likely to continue due to poor food production this year.



Source: Khandwala Research, Bloomberg, CSO

Intermediate Goods

Intermediate goods sector jumped to 21.7% growth YoY as compared to (8.9)% in Dec'08. Continued buoyancy in this sector is likely to boost the growth in manufacturing sector. The growth rate for first nine months rose to 12.5% as compared to (1.7)% in the previous year.



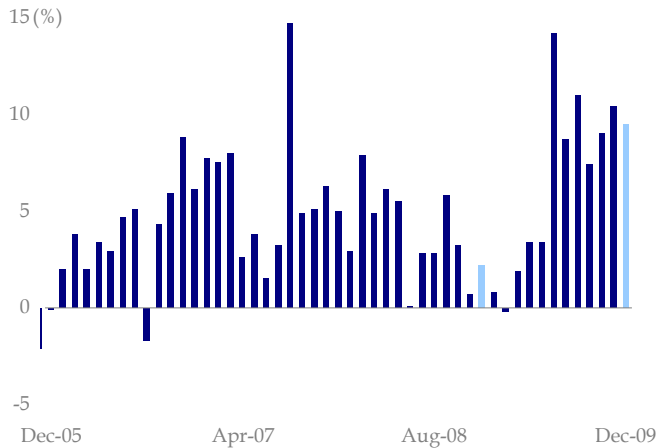
Source: Khandwala Research, Bloomberg, CSO



Broad-based Classification

Mining

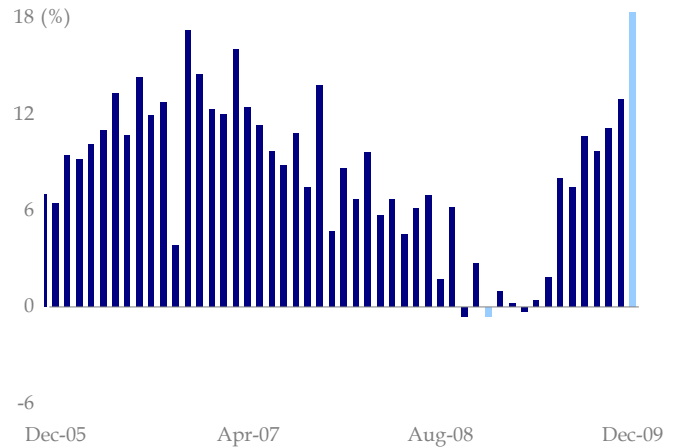
Mining sector rose to 9.5% growth YoY as compared to a growth of 2.2% in Dec'08. Sector is likely to continue to show a vigorous growth due to the impact of KG basin. The growth rate for the first nine months rose to 8.5% compared to 3.2% in the previous year.



Source: Khandwala Research, Bloomberg, CSO

Manufacturing

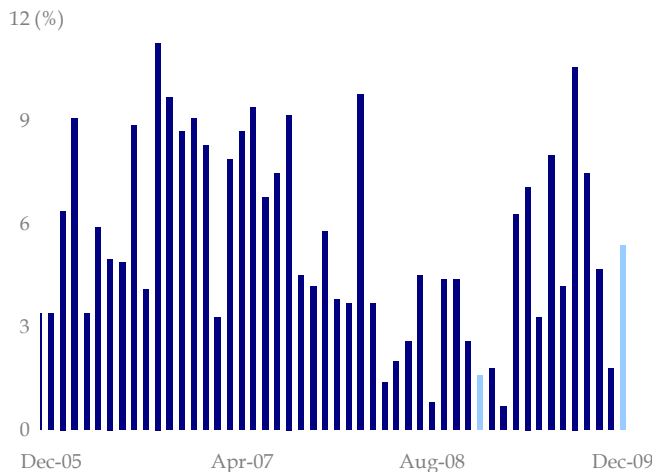
Manufacturing sector showed an impressive performance with 18.5% YoY compared to (0.6)% in Dec'08. Capital goods and consumer durables were the main drivers for 11.6% MoM growth for this sector which was fastest in nearly 3 years.



Source: Khandwala Research, Bloomberg, CSO

Electricity

Electricity recovered to 5.4% growth as compared to 1.8% in Nov'09 and 1.6% YoY in Dec'08. The growth rate in first nine months rose to 5.8% as compared to 2.7% in the corresponding period in the previous year.



Source: Khandwala Research, Bloomberg, CSO



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