

IIP Shrinks & CPI Heightens

Key Highlights

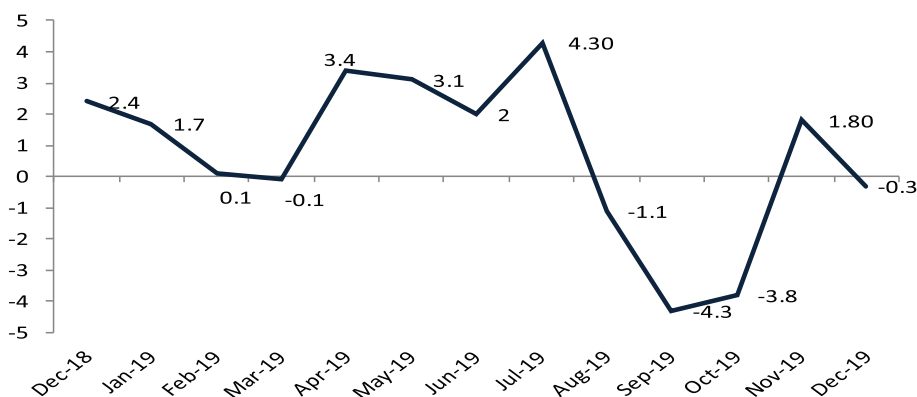
- **The Index of Industrial Production for the month of December 2019 was weighed down by a contraction in manufacturing activity. The growth during the month came at -0.3% as compared to 1.8% in November 2019.**
- The IIP for the April-December period stood at 0.5% as opposed to 4.7% in the same period previous year.
- The main positives from the IIP data could be seen in the increase in mining activity with a growth of 5.4% which is a 14 month high figure.
- Positives in Primary Goods and Intermediate Goods at 2.2% and 12.50% signal an increase in the capex activity.
- In the use-based classification capital goods saw the highest contraction at 18.2%. Infrastructure goods, consumer durables and consumer non-durables also saw contractions to the limit of 2.6%, -6.7% and 3.7% respectively.
- 16 out of 23 manufacturing industries witnessed contraction. Manufacturing of wood and basic metals saw highest growth rate at 13.2% and 14.2% respectively. The highest contraction could be seen in manufacturing of computer & electronic products at 24.9%.
- **Consumer Price Index for the month of January 2020 remained elevated at 7.59% as opposed to 7.35% a month ago.**
- Food inflation has been the key driver of the heightened CPI in January. The inflation in food and beverages was up by 11.79%
- Key inflationary trends in the food index could be seen in Vegetables (50.19%), Pulses & Products (16.71%) and Meat & Fish (10.50%)
- **Urban & Rural Inflation saw a convergence in their path and witnessed higher rural inflation than urban. Urban inflation rose to 7.39 percent against rural inflation of 7.73%.**
- The IIP figures for the month of December slumped to the negative territory after showing signs of revival in November 2019. For the month of January PMI Manufacturing & Services were above 55 which is a 7 year high figure. This can translate into some green shoots for the IIP going forward.
- The Consumer Price Index pained by the food index though higher on account of food prices, and telecom & communication charge. We expect the inflation to take a back seat in the coming months with crude easing downwards and moderation in vegetable prices.
- The higher inflationary trend has discouraged RBI from cutting down on interest rates. We believe the same trend to continue in the April monetary policy as the RBI will closely monitor the inflation scenario.

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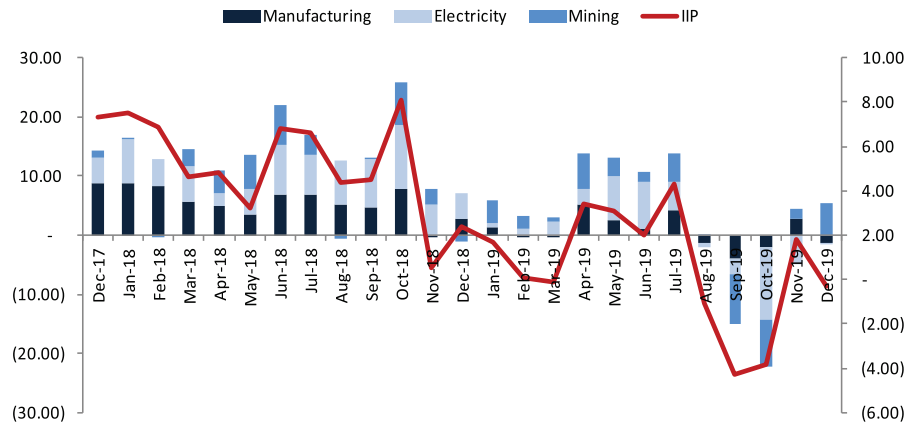
Exhibit: Index of Industrial Production



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Exhibit: Sectoral IIP

When we compare the sectoral IIP contraction was led mainly by manufacturing activity



Contribution to IIP

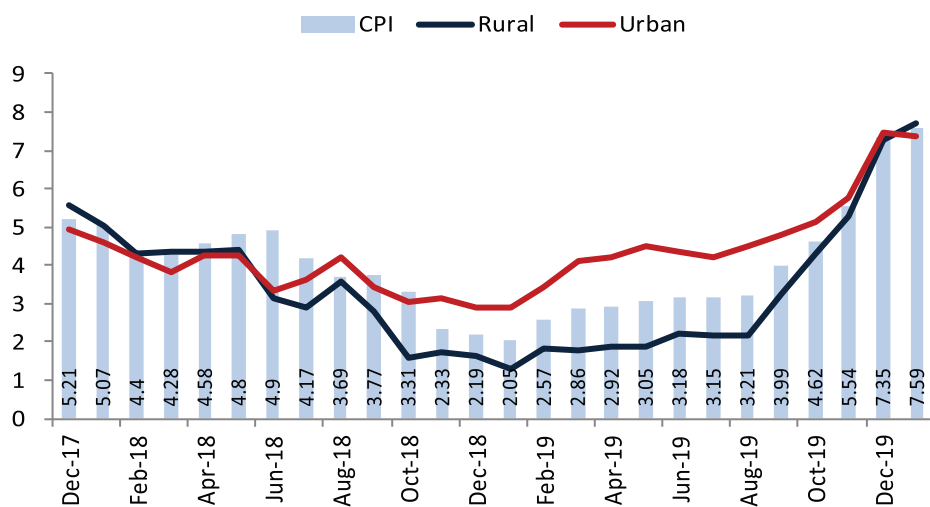
High Positive Contributors	Weights(%)	Contribution to IIP
MS Slabs	0.84	1.9145
Mining	14.37	0.6655
HR Coils	1.35	0.5379
CR Coils & Sheets	0.68	0.2634
Pipes & Tubes of Steel	0.34	0.2342

High Negative Contributors	Weights(%)	Contribution to IIP
bars & rods	0.57	-0.5924
Separators including decanter centrifuge	0.16	-0.5833
Steel Structural	0.79	-0.4127
Digestive Enzymes	0.22	-0.412
Sugar	0.76	-0.2965

Use Based (YoY % growth)	Dec-18	Oct-19	Nov-19	Dec-19
Primary goods	-1.1	-6.0	-0.3	2.2
Capital goods	4.2	-21.9	-8.6	-18.2
Intermediary goods	-0.8	22.2	17.1	12.5
Infrastructure goods	9.0	-9.2	-3.5	-2.6
Consumer durables goods	4.1	-18.0	-1.5	-6.7
Consumer non-durables goods	6.5	-1.1	2.0	-3.7

Exhibit: Consumer Price Index

CPI for the month of December rose to 7.59%.



Impactful contributors

Description	Jan-19	Dec-19	Jan-20	Inflation rate
Vegetables	131	217	197	50.2%
Pulses & Products	120	138	140	16.7%
Sugar & Confectionery	109	114	114	4.6%
Pan,tobacco & intoxicants	163	169	169	3.6%
Clothing & footwear	146	153	149	1.9%
Housing	148	153	154	4.2%
Fuel & Light	140	144	145	3.7%
Health	145	150	151	4.2%
Education	150	156	156	3.9%

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