



Indicators belie expectations. Aggregate demand still in doldrums and far from recovery.

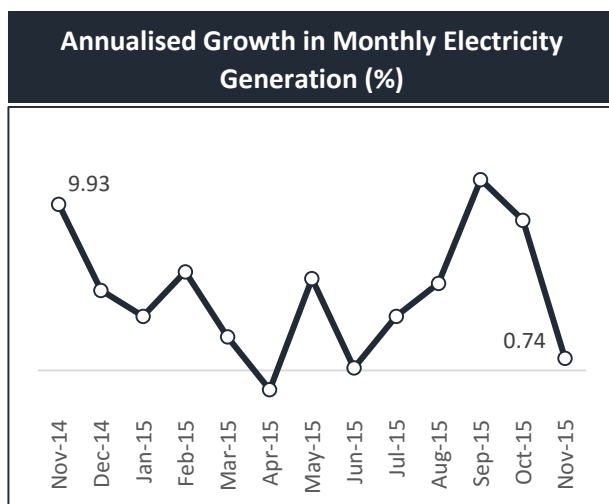
Snapshot					
Indicator	Nov 2015	YoY Change	Nov 2014	YoY Change	Growth Trend
Electricity Generation (million units)	85,906	0.74%	85,275	9.93%	
Coal Offtake (million tonnes)	47.47	14.20%	41.57	7.24%	
Railway Freight (million tonnes)	87.60	(4.21)%	91.45	8.47%	
Diesel Consumption ('000 metric tonnes)	6,100	1.6%	6,007	3.1%	
Non-oil Import (USD million)	23,360	(24.7)%	31,106	49.6%	
Bank Credit (INR billion)	63,466	8.6%	58,690	7.3%	

Highlights and Analysis

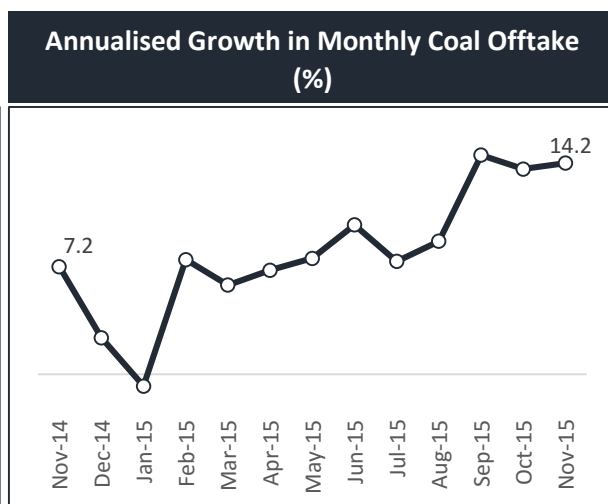
- The high-frequency indicators illustrated above are in variance to other industry reports suggesting recovery. In part, this is because of a growing divergence between growth driven by consumption and government investment and that led by business investment. The latter constitutes our focus area.
- Weak industrial demand and structural bottlenecks (financially weak utilities foregoing purchases from generation units to cut back costs) continue to weigh on the electricity generation. Industrial and commercial enterprises, which collectively account for about 40-45 per cent of total demand, grapple with excess capacities and thus lower demand
- Interestingly, coal offtake has been on a consistently rising trend. It has risen regardless of the relatively less impressive performance in power generation companies. For most part, the rise in coal availability has been led by public investments in infrastructure projects of new coal mines and railway linkages as well as signing of fuel-supply contracts
- The critical transportation infrastructure of railways however faces falling demand from industry, as shown by the drop in freight volumes to negative territory in November 2015. Such hypothesis gets strengthened by the stagnancy in diesel consumption (commercial transport, construction services among major demand segments) as well as contraction in non-oil imports
- In the scope of given lead indicators, business investment (as distinct from the public investment) appears to be stuck in a rut. The present evidence does not support expectation of economic revival

India Monthly Economic Barometer – December 2015

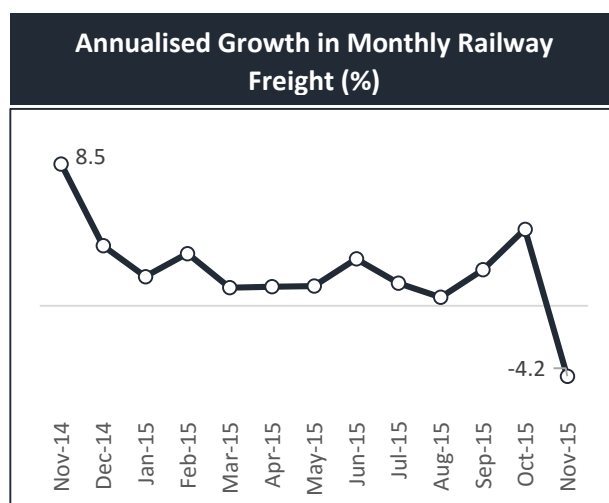
Trend Charts



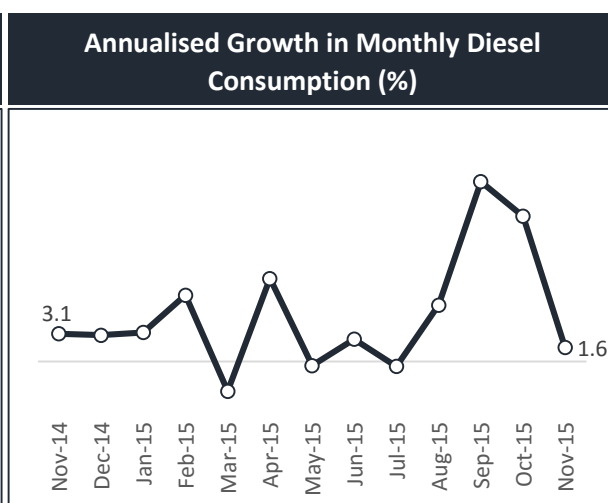
Weak industrial demand and structural bottlenecks force decline in power generation



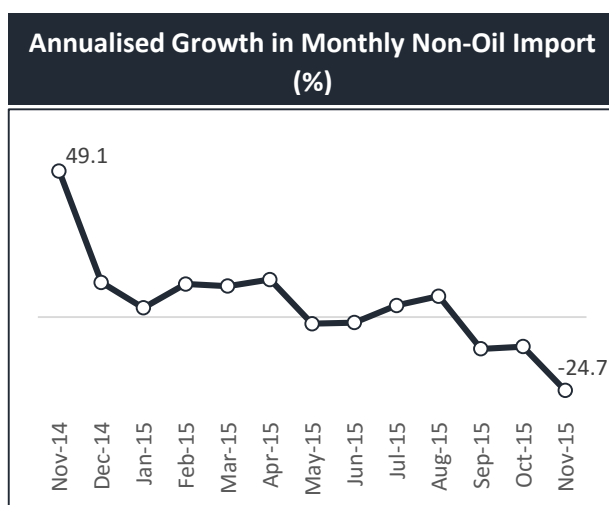
Initiatives in production and despatch manifesting in consistent offtake growth



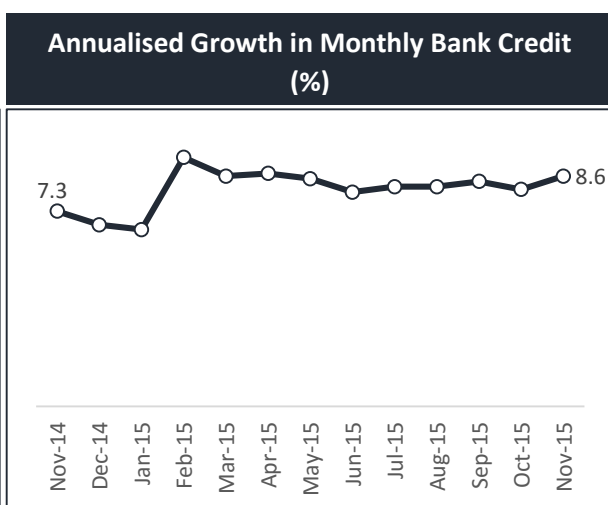
Sharp fall could signal the fundamental challenge in industrial demand offtake



Fluctuating trend reflects the weak demand, notably in construction and commercial sectors



Rapid deceleration is a worrisome indicator of contraction in industrial activity and demand



Credit growth at an average 8.5% since February remains hamstrung by bad debts