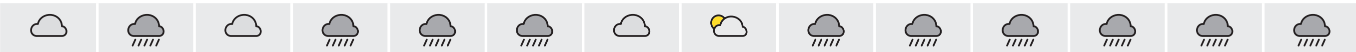
India

September 2020

Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction Const.Mtrls	Consumer Durables	Electronics/ ICT	Financial Services	Food	Machines/ Engineering	Metals	Paper	Services	Steel	Textiles



Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Agriculture

Remains Fair

The sector has been impacted by lockdown measures to some extent (e.g. labour, agriculture sales and purchase of fertiliser were affected by transport and supply chain issues and restriction of movement). Agriculture value added growth is forecast to increase by 1% in 2020 and 8% in 2021.

Automotive/Transport

Remains Poor

After a subdued performance in 2019, the automotive sector suffered from further deteriorating sales for passenger cars and commercial vehicles in H1 of 2020. Automotive value added is forecast to decline by more than 40% in 2020, after a 13.5% contraction in 2019. Besides the sales downturn, several auto manufacturer plants remained closed during the lockdown. In the coming months there could be a slow recovery in demand, due to the beginning of the festive season and the increasing preference of personal cars over public transport resulting from the pandemic. While payment delays in the industry have not yet increased, a surge in the coming months cannot be ruled out, due to severe liquidity strains for automotive and transport businesses (especially among smaller players).

Chemicals/Pharmaceuticals

Remains Fair

Deteriorating domestic and global demand have a negative impact on chemicals performance. Many chemical businesses are suffering from the subdued demand from key buyer sectors, and sector value added growth is forecast to shrink by more than 12% in 2020, followed by a 16% rebound in 2021.

The short-term outlook for pharmaceuticals is more benign, as demand has increased due to higher health expenses. However, in early 2020, production was impacted by supply chain disruptions from China, and the subsequent lack of commodities has led to lower production. Ongoing political issues between India and China still affect the supply chain, and pharmaceuticals value added is expected to decrease by more than 9% in 2020, followed by a forecast 15% rebound in 2021.

Construction/ Construction Materials

Remains Poor

In 2019 construction and related industries (e.g. cement) were already impacted by lower demand than in previous years. Operating margins are very tight, especially for smaller players. Delays and postponement of many building projects are expected, due to the overall slowdown in the economy, which will additionally increase the credit risk of many businesses. Construction value added is expected to shrink by more than 5% in 2020, with payment delays increasing over the past couple of months.

Consumer Durables

Remains Poor

Private consumption of non-food consumer goods has deteriorated due to the coronavirus impact, with many businesses temporarily closed due to the lockdown. While sales deteriorated between April and June 2020, there has been a gradual recovery since July due to pent-up demand. The rebound is set to continue in the coming months with the beginning of the festive season. However, subdued consumer sentiment and rising unemployment could still hamper the recovery. Retail value added is expected to contract by 7% in 2020, and the number of payment delays has increased and is expected to rise further in the coming months.

Electronics/ICT

Remains Poor

Over the past couple of years, ICT key drivers were robust economic growth, growing disposable income and penetration into rural markets. However, ICT sales deteriorated due to the temporary closure of businesses during the lockdown measures, and value added growth of the ICT sector is forecast to level off in 2020, after a 5.8% increase in 2019. Payment delays in the ICT sector have started to increase. That said, some ICT businesses have benefited, as demand for laptops and IT products saw some increase as more people have started working from home and home schooling increased.

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Changes since June 2020 · Sources: Atradius, Oxford Economics

Financial Services

Remains Fair

The Indian banking sector (especially the public sector bank segment) remains under stress, with a high level of non-performing assets, which has resulted in tightening of lending conditions and of due diligence processes. However, a government recapitalization programme, including consolidation of banks, is ongoing to support the sector. Additionally, the Insolvency and Bankruptcy Code from 2016 has helped to improve corporate repayment discipline to some extent.

Food

Remains Good

Despite ongoing sales, the sector has been impacted by the consequences of the lockdown (e.g. transport and supply chain issues). After two years of robust growth, value added is forecast to decrease 2.5% in 2020 (up 6.9% in 2019).

Machines/Engineering

Remains Poor

The business outlook has deteriorated, as orders on hand and production have decreased due to postponed investments. Domestic and international demand from key buyer sectors like automotive and construction have deteriorated. Engineering value added is expected to contract by more than 9% in 2020.

Metals

Remains Poor

Even before the coronavirus outbreak the industry already suffered from fierce competition and lower demand. Many Indian metal businesses are highly leveraged and heavily depend on bank financing for their working capital requirements. However, banks have been unwilling to provide credit to the industry, which has caused additional liquidity issues for many businesses. Due to subdued economic growth in 2020, metals value added is expected to decrease by more than 5% in 2020, and payment delays have increased.

Paper

Remains Poor

Paper producers have been impacted by less demand due to the lockdown measures in H1 of 2020, lower economic growth and the ongoing digitalization. The sector is impacted by fierce competition and working capital pressure for many businesses. Value added of the industry is expected to contract by more than 11% in 2020.

Services

Remains Poor

Due to the comprehensive lockdown measures in early 2020 and the ongoing coronavirus pandemic, many segments have suffered heavily, especially hotels and catering, restaurants, bars, entertainment and cultural events, travel agencies and tour operators. Hotel and catering value added is expected to contract 8.5% in 2020. In the affected segments, payment delays have started to increase.

Steel

Remains Poor

In 2019 the steel industry already suffered from muted demand and oversupply, leading to fierce competition and deteriorating prices, all putting pressure on profit margins. Many Indian steel businesses are highly leveraged and heavily depend on bank financing for their working capital requirements. However, banks have been unwilling to provide credit to the industry, which has caused additional liquidity issues for many businesses. Several steel businesses went insolvent last year. Due to subdued economic growth in 2020, steel value added is expected to decrease by more than 5% in 2020, with rising payment delays.

Textiles

Remains Poor

Exporters of textiles and cotton suffered in 2019 from fierce competition (e.g. from Vietnam), lower demand from overseas and working capital pressure. In early 2020 textile producers were negatively affected by supply chain disruptions due to the coronavirus-related lockdowns. At the same time, the performance of wholesalers and retailers has deteriorated due to low sales. Domestic and export sales are expected to remain subdued in the coming months, and textile value added is expected to shrink by 3% in 2020. While payment delays have increased over the past couple of months, they are expected to stabilize on an elevated level in Q4 of 2020.