

CAPITAL GOODS SHRINKS 6.5%, CONSUMER DURABLES 5.5%

Industrial Production Slows to 4-month Low of 2% in June

Only eight of the 23 industry groups in manufacturing had positive growth

Our Bureau

New Delhi: Industrial growth slowed to a four-month low in June, pulled down by a sharp decline in the output of mining and manufacturing, reflecting the growth slump.

Industrial production as measured by the index of industrial production (IIP) rose 2% in June, data released by the Central Statistics Office (CSO) showed on Friday.

Only eight of the 23 industry groups in manufacturing reported positive growth in the

Stuck in slow lane

Industrial growth at 4-mth Low

% rise in IIP



WHAT IT MEANS

Investment and consumption both weak

Decline in car sale suggests no immediate improvement

Q1 GDP could be around 6%

month, highlighting the broad-based nature of the slowdown.

Cumulatively, industrial output rose 3.6% in the first quarter of FY20 as against an increase of 5.1% in the same quarter last year. This suggested overall economic growth was likely to remain muted in the April-June period, near the 5.8% reported for the March quarter.

First-quarter GDP data will be released on August 30. Domestic passenger car sales have plunged in recent months, sug-

gesting there will be no immediate respite.

"Although the sequential dip in industrial growth is partly on account of the base effect, the anaemic June 2019 IIP print as well as the year-on-year contraction in 15 of the 23 sub-sectors of manufacturing, reinforce the evidence of a slowdown emerging from various sectors," said Aditi Nayar, principal economist, ICRA.

Investment, Consumption Weak ►► 5

Capital Goods Contracts 6.5%

» From Page 1

Industrial production had risen 7% in June 2018. The government also revised upwards the IIP for May to 4.5% from 3.1%. ICRA expects 6.1% GDP growth in the first quarter.

The Reserve Bank of India had earlier this week pared the GDP growth estimate for the year to 6.9% from 7% as it cut the benchmark interest rate by 0.35 percentage point. Finance minister met the representatives of various sectors including automobiles this week to understand how the slowdown could be countered. There is an expectation that some stimulus measures could be announced soon.

Mining output rose 1.6% in June, lower than 6.5% in the year-ago period while manufacturing growth was 1.2% compared with 6.9% in June 2018. Electricity generation rose 8.2%.

"It appears that the basic consumption and investment cycles are weak, which is getting reflected in consumer durables and capital goods," said IDFC First Bank group economist Indranil Pan.

Capital goods output contracted 6.5% while consumer durables, which symbolises urban demand, contracted 5.5% against 13.6% growth in the year-ago period.