

# Some IIP solace after weak GDP concerns

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**I**ndustrial production may give the government some respite, bogged down by criticism over low gross domestic product (GDP) growth numbers for the first quarter of 2019-20 (FY20). The Index of Industrial Production (IIP) rose by 4.3 per cent in July, against 1.2 per cent in the previous month.

However, consumer durables continued to print contraction in July. Within that category, commercial vehicles, auto parts, and television sets saw fall in dispatches to dealers, revealed the IIP numbers released by the Central Statistics Office on Thursday.

Economists however, cautioned against over-interpreting the data as a revival of industrial production. Some even expected the monetary policy committee (MPC) of the Reserve Bank of India to cut its policy rate in the October review to bolster economic growth rate.

A bit of consolation is that consumer durables saw a fall in the rate of contraction at 2.7 per cent in July, against 10.2 per cent in the previous month.

Commercial vehicles with sub-1 per cent weight pulled down the IIP by 0.24 percentage points in July, while parts and accessories with 2.6 per cent weight contributed to 0.21 percentage points.

Another bleak point was that capital goods production — signifying investments — fell for the seventh month in a row. It declined by 7.1 per cent in July, higher than 6.8 per cent in the previous month.

Due to all these reasons, economists believed that revival in IIP growth would be not be sustained.

“This trend is likely to be short-lived. Early data reveals a contraction in the output of Coal India and automobiles, as well as electricity generation in August 2019, suggesting that the next IIP print is likely to



## ISSUES REMAIN

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| ■ Manufacturing output rose by <b>4.2%</b> in July from <b>2.3%</b> in June | ■ Mining output growth accelerated to <b>4.9%</b> against <b>1.5%</b> | ■ Auto components/spare parts, accessories pulled down IIP by <b>0.21%</b> in the month |
| ■ Electricity generation growth reduced to <b>4.8%</b> from <b>8.2%</b>     | ■ Commercial vehicles contributed to <b>0.24%</b> fall in IIP in July | ■ TV sets dragged down IIP by <b>39.6%</b>  |

Source: MoSPI

be muted,” said Aditi Nayar, principal economist, ICRA.

As such, she expected the MPC to go for another rate cut next month.

Devendra Pant, chief economist at India Ratings, said it will be too early to term the IIP data for July as recovery and one has to wait for some more time to see whether industrial revival is there for real.

The two broad categories — manufacturing and mining — showed higher growth in their output in July, compared to the previous month.

Manufacturing output rose 4.2 per cent, against 2.3 per cent in June, while mining growth was over thrice of June growth at 4.9 per cent vis-à-vis 1.5 per cent.

Within manufacturing, food products, apparel, and basic metals grew by double digits in July.

Electricity generation grew at 4.8 per cent in July, against 8.2 per cent in the previous month.

Unlike their durables counterpart, fast-moving consumer goods witnessed a higher growth rate at 8.3 per cent in July, against 7.1 per cent in the previous month. Also, intermediate goods output expanded by double digits for the third month in a row. It rose 13.9 per cent in July, compared to 12.6 per cent in the previous month.

Primary goods output recovered by growing at 3.5 per cent in July, against 0.39 per cent in the previous month.

“Continued double-digit growth of intermediate goods and acceleration of growth in primary goods in July gives a glimmer of hope of minor industrial recovery in the coming months,” said Pant.