

# IIP rebounds, retail inflation inches up

## Economists Bet On Rate Cut To Boost Eco

TIMES NEWS NETWORK

**New Delhi:** The country's industrial output growth posted a muted rebound in July and retail inflation inched up marginally in August, prompting economists to say that the Reserve Bank of India (RBI) will cut interest rates when it reviews monetary policy next month to revive growth which has slumped to a six-year low in the April-June quarter of the current financial year.

Data released by the National Statistical Office (NSO) on Thursday showed industrial output rose to a two-month high of 4.3% in July, higher than downwardly revised 1.2% in June and lower than 6.5% in the same period last year.

The latest data set comes against the backdrop of a slowdown in the economy and mounting criticism of the government's handling of the situation. The Centre has unveiled a string of measures to counter the slowdown impact and more steps are in the pipeline to boost growth.

The data showed manufacturing sector grew a sluggish 4.2% compared to 7% in July 2018. The capital goods sector, which is a key gauge of industrial activity, contracted for the second consecutive month and declined by 7.1% in July compared to an expansion of 2.3% in the same month last year. The consumer durables sector contracted by 2.7% compared to a growth of 14.1%.

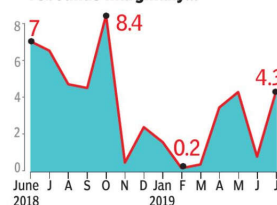
Economists urged caution about deriving any recovery trend from the July factory output data. "While the IIP growth recorded an improvement in

July 2019 relative to the previous month, 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

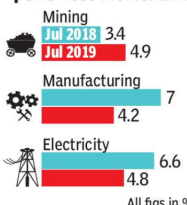
Separate data released by the NSO showed inflation as measured by the consumer price index (CPI) rose to a 10-month high of 3.2% in August, nearly similar levels of 3.1% in the previous month led by a

### A MIXED BAG

Growth (%) in industrial output rebounds marginally...



...but manufacturing & power lose momentum



### Retail Inflation (%) surges to 10-month high



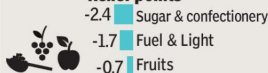
### Aug 2019

All figs in %

#### Pressure points



#### Relief points



Source: Bloomberg, Mospi

that the next IIP print is likely to be muted," said Aditi Nayar, principal economist at ratings agency ICRA.

"Given the disappointing trends revealed by the high frequency data available for August 2019, we should not conclude that a recovery is underway based on the pick-up in the industrial growth in July 2019. Accordingly, we continue to expect another rate cut in the October 2019 monetary policy review," said Nayar.

surge in food and vegetable prices. Food prices rose to a 14-month high in August, largely driven by vegetable prices, influenced by some disruption in supplies due to floods in some parts of the country. This was the 13 consecutive months when retail inflation has remained below the central bank's comfort zone.

Economists said that the pick-up in food inflation is confined to urban areas as rural food inflation has been flat.