

Industrial Production Contracts 4.3% In Sept, Steepest Fall In 8 Years

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The Logical Indian Crew

Showing signs of a slump in the economy, industrial production dipped by 4.3 per cent in September, recording the worst performance in seven years due to output decline in manufacturing, mining and electricity sectors, as per Central Statistics Office (CSO) data released on Monday, November 11. This, in comparison with an estimated contraction of 2.5%.

Spurred by a significant loss in manufacturing output and a sharp fall in capital goods production, the recent contraction was much higher than the 1.4 per cent fall in August.

“This is the first time after November 2012 that all three broad-based sectors have contracted and it is the lowest monthly growth in the 2011-12 base year,” India Ratings & Research’s Chief Economist Devendra Kumar Pant told The News Minute.

Brickwork Ratings Chief Economic Advisor M. Govinda Rao said: “The decline in the IIP for September calls for immediate intervention by the government. Specifically, the time is opportune for the government to increase public spending financed by actively pursued strategic disinvestment.”

Emkay Wealth Management’s Head of Currency Rahul Gupta said: “The persistent slowdown in industrial growth may force the RBI to go for another round of policy rate cut. However, a possible rise of headline inflation above the medium-term target of RBI (4 per cent) may act as a point of caution before the RBI goes for a rate cut.”

After a 4.6 per cent industrial growth in July, economists had alarmed of a significant decline and urged for the revival of industrial production.

A slowdown was witnessed in the manufacturing sector, which declined by 3.9 per cent in September as compared to 4.8 per cent growth a year ago. The ailing auto sector showed signs of improvement during festive sales, with passenger vehicles sales rising 0.3% in October, but that may not be sufficient to pull the sector out of a demand slump. India’s power demand fell 13.2% in October from a year ago, recording its steepest monthly decline in over 12 years, government data showed. Capital goods output dropped 20.7% from a year ago, while consumer durables fell 9.9% in September.

In terms of industries, 17 out of 23 industry groups in the manufacturing sector have recorded negative growth during September 2019 as compared to the same month last year.

Indian businesses have been battling a demand slowdown and liquidity crunch, which resulted in GDP growth falling to a six-year low of 5% in the June quarter.