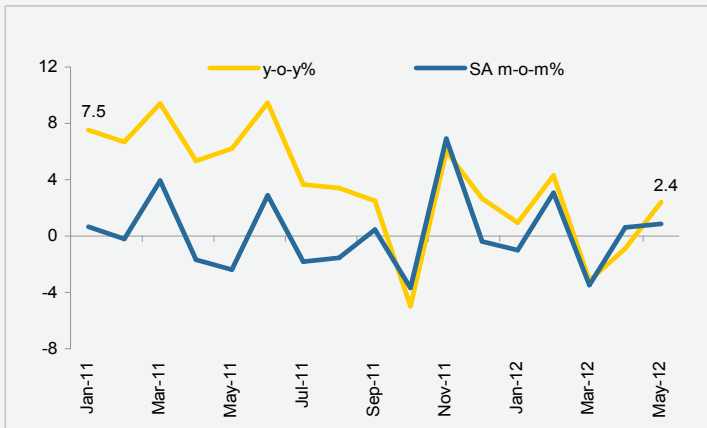


Industrial growth inches up in May 2012

12th July, 2012

Industrial output inches up



- Index of industrial production (IIP) growth accelerated to a higher-than-expected 2.4 per cent in May 2012 as compared to a downwardly revised -0.9 per cent in April 2012.

- Even on a sequential basis, IIP growth increased to 0.9 per cent (seasonally-adjusted basis) in May 2012, indicating some improvement in the underlying momentum of the series.

- Manufacturing sector, which has the highest weight in overall IIP, moved up to 2.5 per cent in the reporting month as compared to a contraction in the previous month.

- Ban on iron ore mining in some states along with falling gas production at the KG basin pulled down mining sector's growth to -0.9 per cent in May 2012, albeit showing some improvement vis-à-vis last month.

- Continuing on its good performance in the last few months, electricity sector output jumped to 5.9 per cent in May 2012.

- In an encouraging sign, intermediates goods output moved to the positive territory in May 2012 after languishing in the red for last two months. This bodes well for the future IIP growth.

- Reflecting the underlying weakness in the investment scenario in the country, capital goods growth contracted by 7.7 per cent for the third consecutive month in May 2012. After excluding the volatile capital goods component growth, the overall IIP growth stood even higher at 4 per cent in May 2012.

- Overall consumer goods growth improved to 4.3 per cent in May 2012 despite a lackluster showing by non-durables— its largest component by weight. The growth of the latter remained weak as high inflation continued to impinge on purchasing power of people, who spend bulk of their income on food.

Sectoral Growth in IIP sectors

	Weight	May-11	Mar-12	Apr-12	May-12	FY12	FY13
General	1000.0	6.2	-3.2	-0.9	2.4	5.7	0.8
Manufacturing	755.3	6.3	-4.0	-1.2	2.5	6.0	0.6
Mining	141.6	1.8	-1.3	-3.2	-0.9	1.6	-2.0
Electricity	103.2	10.3	2.7	4.6	5.9	8.5	5.2
Use-Based							
Basic	456.8	7.5	0.9	2.1	4.1	7.3	3.1
Capital	88.3	6.2	-20.3	-19.6	-7.7	6.4	-13.8
Intermediates	156.9	0.1	-1.7	-1.6	2.7	2.0	0.6
Consumer Goods	298.1	7.2	1.2	3.7	4.3	5.2	4.0
-Durables	84.6	5.1	1.0	5.2	9.3	3.3	7.2
-Non durables	213.5	9.0	1.2	2.5	0.1	6.8	1.3

Capital goods output continues to remain weak



Source: Central Statistical Organisation, CII computations

Outlook: Despite recording an improved performance in May 2012, we expect the IIP growth to remain weak for at least the first-half of 2012-13 due to muted domestic and global demand conditions. However, the second-half might see a recovery if aided by some positive actions on the part of RBI and government on the domestic front and improvement in global conditions.

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