



Confederation of Indian Industry

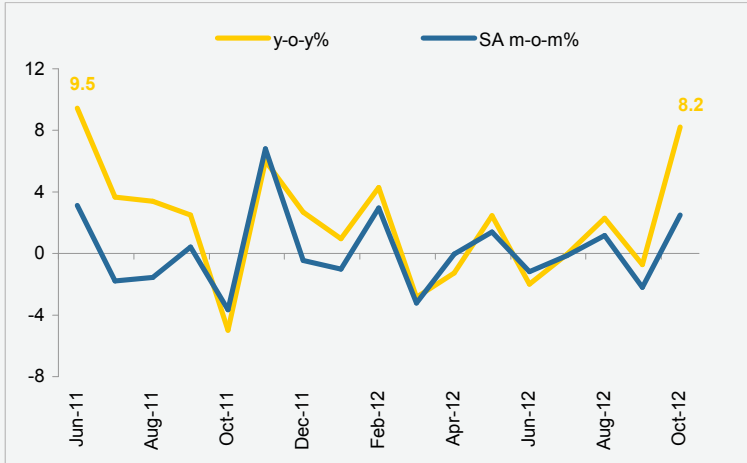
# Economy Update - IIP



Industrial production growth springs a positive surprise

12 December, 2012

## Industrial production growth accelerates sharply



- Index of industrial production (IIP) growth accelerated to 8.2 per cent in October 2012 (highest in 16 months) from -0.7 per cent in the previous month mainly on account of low base effect of last year and pre-festival sales impact.

- On a sequential basis too, IIP growth (on a seasonally-adjusted basis) jumped up by 2.5 per cent in October 2012 as compared to contraction seen in September 2012.

- Manufacturing output grew by 9.6 per cent in October 2012 after declining by 1.5 per cent in the previous month. The sustainability of this high growth in output looks highly uncertain as much of the boost was provided by the pre-festival related sales impact which will eventually fade out in the months to come.

- In contrast, the mining sector growth contracted by 0.1 per cent in October 2012 as compared to 2.3 per cent growth in the previous month. The year-to-date output remains in the negative territory owing to problems in the coal regulatory environment.

- Electricity sector growth jumped to 5.5 per cent in October 2012 as compared to 3.9 per cent in the previous month.

- Intermediate sector's output accelerated to a 2-year high of 9.4 per cent in October 2012 as compared to 2.7 per cent in the previous month.

- Capital goods output grew in October 2012 after contracting for the last seven months. Capital goods output grew by 7.5 per cent in the reporting month as compared to a decline of 12.9 per cent in the previous month. IIP growth excluding the volatile capital goods stood at 8.3 per cent in during the month.

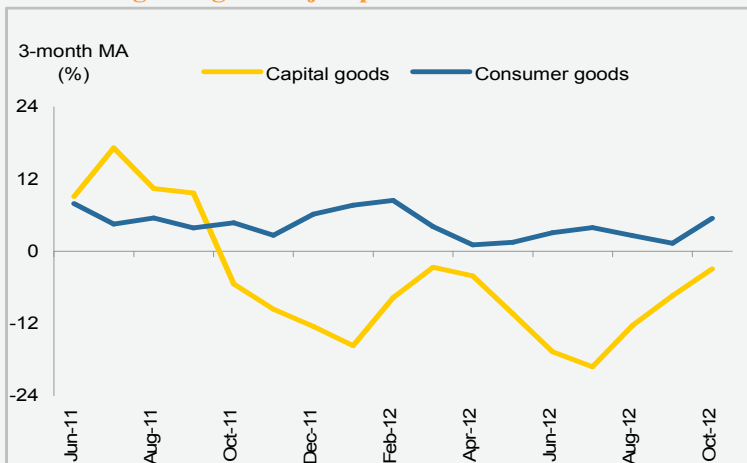
- Consumer goods growth too moved up to a high of 13.2 per cent in October 2012 as compared to a decline in the previous month mainly on account of a favorable base effect of last year and pre-festival related demand.

- Both the sub-components of consumer goods— durables and non-durables also moved up sharply in October 2012.

## Sectoral growth in IIP sectors

	Weight	Oct-11	Aug-12	Sept-12	Oct-12	Apr-Oct FY12	FY13
<b>General</b>	1000.0	-5.0	2.3	-0.7	<b>8.2</b>	3.6	1.2
Manufacturing	755.3	-6.0	2.4	-1.5	<b>9.6</b>	3.8	1.0
Mining	141.6	-5.9	1.9	2.3	<b>-0.1</b>	-2.2	-0.7
Electricity	103.2	5.6	1.9	3.9	<b>5.5</b>	8.9	4.7
<b>Use-Based</b>							
Basic	456.8	1.2	3.4	2.8	<b>4.1</b>	6.3	3.0
Capital	88.3	-26.5	-3.4	-12.9	<b>7.5</b>	-0.5	-11.4
Intermediates	156.9	-8.4	2.7	1.7	<b>9.4</b>	-0.8	2.3
Consumer Goods	298.1	0.1	3.3	-0.1	<b>13.2</b>	4.0	4.0
-Durables	84.6	-0.4	0.6	-1.7	<b>16.5</b>	4.5	5.6
-Non durables	213.5	0.5	5.8	1.6	<b>10.1</b>	3.6	2.7

## Consumer goods growth jumps in October 2012



Source: Central Statistical Organization (CSO) & CII computations

**Outlook:** The IIP figures for October 2012 is encouraging, though part of the increase can be attributed to a strong base effect and pre-festival related sales pick-up. Going forward, it would remain to be seen how far this increase can be sustained. Nonetheless, the underlying growth momentum still remains subdued and the IIP figures for the last few months of the current fiscal would mirror that. Hence, we continue to expect the RBI to cut policy rates at the earliest.

CII Economy Update is a report prepared by the CII Economic Research. Reach us at: [ecoresearch@cii.in](mailto:ecoresearch@cii.in)