



Confederation of Indian Industry

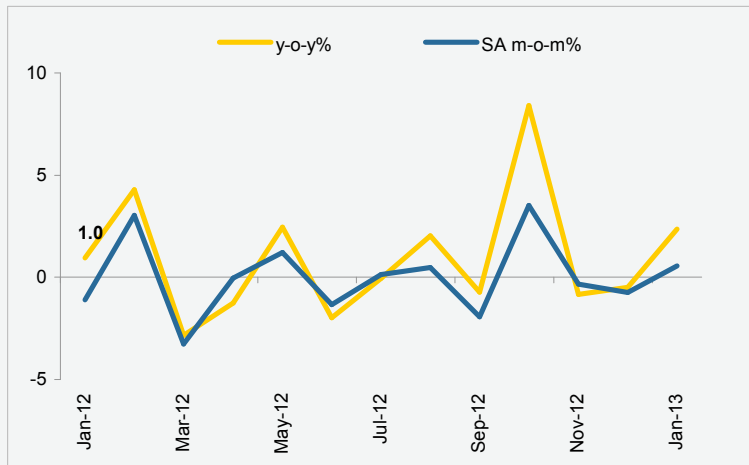
Economy Update - IIP



Manufacturing sector pushes industrial output to 2.4 per cent

12 March, 2013

Industrial production moves into positive territory in Jan-13



- After a gap of two months, index of industrial production (IIP) growth moved into the positive territory in January 2013, growing by 2.4 per cent as compared to a revised -0.5 per cent in the previous month.

- On a sequential basis too, industrial output (on a seasonally-adjusted basis) accelerated by 0.6 per cent in January 2013, highlighting the abatement of underlying downward momentum in the series.

- Signaling the improvement in the underlying trend, manufacturing sector grew by 2.7 per cent in January 2013 as compared to a contraction in the previous two months. In terms of industries, output in 11 out of 22 groups in manufacturing sector showed positive growth during the month.

- Regulatory and environmental issues continued to plague the mining sector, as it contracted by 2.9 per cent in January 2013, taking the cumulative growth to -1.9 per cent for the first ten months of the current fiscal.

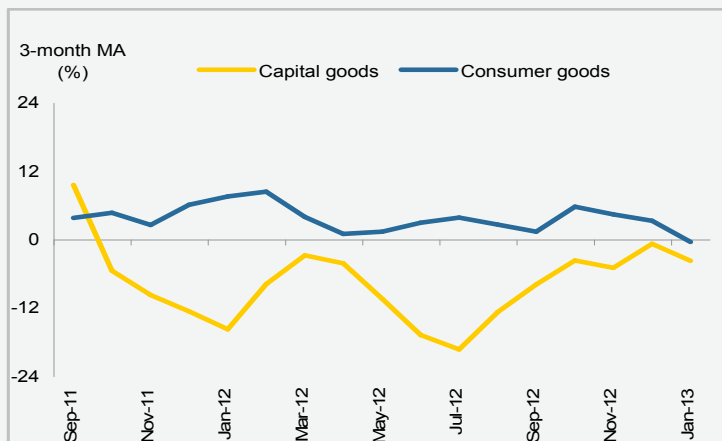
- Electricity sector growth remained firm at 6.4 per cent in January 2013 as compared to 5.2 per cent in the previous month.

- Intermediates goods output jumped to 2.0 per cent in January 2013 as compared to 0.7 per cent in December 2012 partly due to low base of last year. This bodes well for the future IIP growth as intermediates sector is regarded as the lead indicator for the overall IIP growth.

Sectoral growth in IIP sectors

| | Weight | Jan-12 | Nov-12 | Dec-12 | Jan-13 | Apr-Jan FY12 | Apr-Jan FY13 |
|------------------|--------|--------|--------|--------|--------|--------------|--------------|
| General | 1000.0 | 1.0 | -0.8 | -0.5 | 2.4 | 3.4 | 1.0 |
| Manufacturing | 755.3 | 1.1 | -0.6 | -0.7 | 2.7 | 3.7 | 0.9 |
| Mining | 141.6 | -2.1 | -5.5 | -3.4 | -2.9 | -2.5 | -1.9 |
| Electricity | 103.2 | 3.2 | 2.4 | 5.2 | 6.4 | 8.8 | 4.7 |
| Use-Based | | | | | | | |
| Basic | 456.8 | 1.9 | 1.5 | 1.8 | 3.4 | 5.8 | 2.8 |
| Capital | 88.3 | -2.7 | -8.5 | -0.6 | -1.8 | -2.9 | -9.3 |
| Intermediates | 156.9 | -2.5 | -1.6 | 0.7 | 2.0 | -0.8 | 1.7 |
| Consumer Goods | 298.1 | 2.5 | -0.3 | -3.6 | 2.8 | 5.4 | 2.7 |
| -Durables | 84.6 | -7.5 | 1.3 | -8.2 | -0.9 | 3.7 | 3.2 |
| -Non durables | 213.5 | 10.6 | -1.6 | -0.4 | 5.3 | 6.6 | 2.3 |

Capital Good continues to languish in negative territory



- Capital goods production, a measure of investments in factories, contracted by 1.8 per cent in January 2013. The sector's dismal performance is evident from the fact that it has remained in the negative territory in 9 out of 10 months of the current fiscal year.

- Consumer goods output moved into the positive territory in January 2013 after contracting in the last two months. The improved performance of the sector was underpinned by sharp jump in consumer non-durables sector which seemed to have gained traction in line with recent softening in WPI inflation.

- In contrast, consumer durables declined by 0.9 per cent for the second consecutive month in January 2013, reflecting the impact of high interest rates.

Source: Central Statistical Organization (CSO) & CII computations

Outlook: While some signs of revival of industrial activity are indicated, it is too early to assume that the slowdown has bottomed out and green shoots of recovery are around the corner. The IIP growth in January 2013 was powered by an impressive performance of the manufacturing and electricity sector. We are hopeful that the IIP growth will continue to perform well in the remaining months of the current fiscal too underpinned by some improvement in overall growth prospects.