

Factory output up after 6 months; retail inflation hits 6-year high

Synopsis

Industrial production, as measured by the index of industrial production (IIP), grew 0.2% in September against a 4.6% decline in the same period last year. However, manufacturing continued to contract. Revised data showed industrial production contracted 19.5% in June and 7.3% in August. Earlier estimates had shown IIP shrinking 8% in August.



IIP returned to positive territory after six months.

In a mixed bag of economic indicators, India's factory output expanded after a six-month gap in September as the economic recovery gathered pace. However, retail inflation climbed to an above six-year high in October, driven by higher food prices, ruling out further monetary easing.

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shown IIP shrinking 8% in August.

Retail inflation accelerated to 7.61% in October, exceeding the target rate, on dearer food inflation that was 11.07%. Consumer Price Inflation was 7.27% in September.

In the first six months of FY21, India's factory output shrank 21.1% compared with 1.3% growth in the year ago period. ζ

"The positive push will gain momentum in October too where some of the retail sales numbers have been positive," said ζ
Madan Sabnavis, chief economist at CARE Ratings. ζ

Mining and electricity grew 1.4% and 4.9%, respectively while manufacturing shrank 0.6%. ζ

"However, before we start rejoicing, it may be worthwhile to point out that it would not have been possible without the ζ
low base of last year," said Devendra Pant, chief economist, India Ratings. ζ

Among IIP subsectors, capital goods--an indicator of investment--witnessed the steepest decline of 3.3%. Ten out of 20 ζ
manufacturing subsectors reported growth in September. Consumer durables production, an indicator of urban demand, ζ
grew 2.8% while consumer nondurables witnessed the highest growth of all at 4.1%. ζ

India's economy gathered pace in October with **Goods and Services Tax** (GST) collections being 10% higher than the ζ
corresponding period of last year and railway freight in the last two months growing 15% over the year ago period. ζ

However, economists cautioned that sustenance of the same post November will be the trend to watch because of festive ζ
spending and stimulus measures announced by the government on Thursday. ζ

HIGHER INFLATION ζ

Retail inflation in October 2020 rose to 77 months high of 7.61%. The previous high was in May 2014. Food inflation was ζ
driven by inflation in vegetables at 22.51% in October from 20.73% last month. Inflation in pulses rose 18.34% from 14.67% ,

while that in meat and fish rose 18.7% in October compared with a 17.6% rise in September. Clothing and footwear inflation was 3.17% compared with 3.04% in September.

