

Industrial production growth slips to 1.7%

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INSIGHT

still not out of the woods

■ Industrial growth slowed down in July, depressing the cumulative growth in April-July to below that achieved in the corresponding four months of last year. There is faint evidence of green shoots. The production of capital goods is up, reflecting fairly strong investment demand. However, machinery and equipment output fell in July. The big gain came from metal products and parts as also from transport equipment and parts.

The lingering recession showed no signs of abating. Consumer durables growth in April-

July was a fraction of that recorded in the corresponding four months of 1997. True, non-consumer durables recorded a growth against a decline in April-July last year. The turnaround was mainly the result of a spurt in the output of beverages, tobacco and related products and a rise in wool, silk and man-made fibre textiles. However, the output of food products was down. Reflecting weak export demand, output of cotton textiles and textile products including wearing apparel showed a steep fall.

THE second quarter of the fiscal began on a sombre note with the index of industrial production (IIP) slipping to 1.7 per cent in July as compared to 8.2 per cent in the corresponding month last year.

The index was pulled down by the manufacturing sector which recorded a dismal growth of 1.2 per cent in the month against 8.5 per cent in July 1997.

According to the quick estimates of IIP released by the Central Statistical Organisation (CSO) on Friday, the growth during April-July decelerated to 4 per cent as compared to 5.6 per cent during the corresponding period in the last financial year.

Similarly, the performance of manufacturing sector in April-July was down to 3.7 per cent as compared to 5.6 per cent during the corresponding period last fiscal.

Industry associations feel that the April-July figures reaffirm the industry's concerns and reflect that the mood is not too cheerful. The chambers of commerce felt that the downturn in the economy will persist for long unless the public spending on infrastructure projects and disinvestment of public sector is stepped up.

Confederation of Indian Industry deputy director general M Roy said that the government

will have to implement as fast as possible specific packages to revive the industries which are suffering. She felt the demand for basic and capital goods will pick up only if the infrastructure projects takes off the ground. "Unless projects in housing, construction, roads, ports and power take off, the investment oriented industries will continue to suffer."

Roy pointed out that basic goods and capital goods industries such as steel, cement and commercial vehicles have been in a bad state. Paper and pulp industries are continuing to do badly.

CII is, however, hopeful that demand for consumers durables, which has reported only 0.8 per cent growth in April-July 1998 as against 6.2 per cent in the corresponding period last year, will pick up after the monsoons.

J.D. Agarwal, director of the Indian Institute of Finance, when contacted, said that manufacturing sector performed badly because of competition from imported goods. The deceleration in growth was also a reflection of the fact that because of inventories piling up the sector has slowed down production.

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Industrial output growth down

Agarwal, however, hoped that things would improve in the busy season with weakened rupee helping the manufacturers to mitigate the problem of cheaper imports to some extent.

The use-based classification revealed that the consumer goods sector recorded a negative performance during July, while the slippage was quite sharp in case of basic goods. The only sector which did well was the capital goods sector which recorded a growth of 6.8 per cent as compared to 5.7 per cent during July 1997. During April-July also the growth in this sector worked out to be 10.5 per cent up from 7.7 per cent during the corresponding period in the last fiscal.

In case of basic goods, the growth rate decelerated to one per cent from 7.5 per cent in July. As far as April-July performance was concerned, the growth slipped to 2.6 per cent as compared to 7.7 per cent during the corresponding period last year.

The deceleration was also witnessed in case of intermediate goods. The growth rate in July slipped to 3.0 per cent as compared to 10.7 per cent in the corresponding month last year. Also in April-July, the growth rate decelerated to 5.3 per cent against 8.4 per cent during the corresponding period last year.

In the consumer goods sector, consumer durables did badly with the index recording a neg-

ative growth (-4.7 per cent) during July and only a marginal growth of 0.8 per cent during the first four month of the current fiscal.

In case of consumer non-durables, the index slipped to 0.7 per cent in July as compared to 7.9 per cent during the corresponding month last year. However, during April-July, the growth worked out to be 2.5 per cent as opposed to a negative growth of (-) 1.5 per cent during the corresponding period last year.

Also, seven out of 17 two-digit industry groups have shown negative growth during July. The sectors which did poorly as cotton textiles (-14.4 per cent), followed by leather and leather and fur products (-10.6 per cent), machinery and transport equipment other than transport equipment (-7.8 per cent), textile products (including wearing apparel) (-5.9 per cent), basic metal and alloy industries (-4.9 per cent), food products (-4.5 per cent) and manufacture of jute and other vegetable fibre textiles (except cotton) (-2.6 per cent).

The other sectors recorded positive growth with metal products and parts (except machinery and equipment) showing the highest growth of 24.8 per cent followed by 14.2 per cent for paper and paper products and printing, publishing and allied industries and 13.5 per cent for beverages, tobacco and related products.