

Industrial growth backs GDP outlook

IIP surges 11.7% in Oct; uptick in food prices lifts retail inflation to 5.55% in Nov

SHIVA RAJORA

New Delhi, 12 December

India's industrial production hit a 16-month high in October, aided by a favourable base effect. Retail inflation in November, on the other hand, bucked the downward trend, reaching a three-month high partly because of a seasonal spike in vegetable prices.

The high print of the Index of Industrial Production (IIP) will contribute to the first advance estimates of gross domestic product (GDP) data for 2023-24, set to be released on January 5 — ahead of the Interim Budget for FY25, which will be presented on February 1.

The Reserve Bank of India (RBI), in its latest monetary policy, revised the economic growth projection for FY24 upward by 50 basis points to 7 per cent, while expecting a 6.5 per cent GDP expansion in the December quarter.

Data from the National Statistical Office (NSO) released on Tuesday showed 11.7 per cent growth year-on-year (Y-o-Y) in the IIP in October, up from 6.8 per cent in September. This was driven by double-digit growth in the electricity (20.4 per cent), mining (13.1 per cent), and manufacturing (10.4 per cent) sectors, surpassing *Bloomberg's* forecast of 10.5 per cent.

Separately, the Consumer Price Index (CPI)-based inflation rose to 5.55 per cent Y-o-Y in November, up from 4.87 per cent in October. This was due to an acceleration in the prices of vegetables, fruits, pulses, and sugar.

PAGE 12

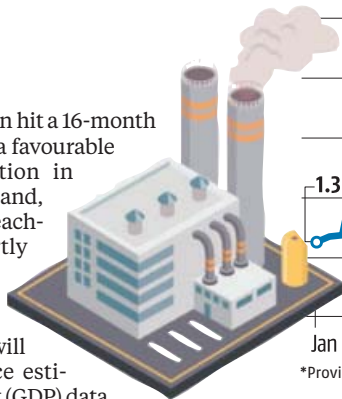
■SENSEX TAKES BREATH AFTER SCALING 70K PEAK

PAGE 4

■NINE STATES RECORD HIGHER INFLATION RATES

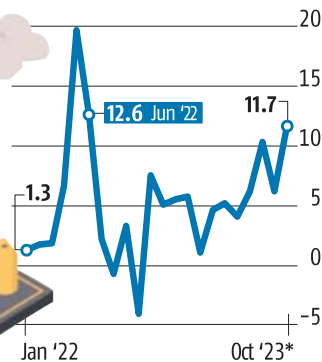
PAGE 10

■EYES ON FED AS US INFLATION EDGES UP IN NOVEMBER



IIP: 16-MTH HIGH

Production growth (Y-o-Y in %)

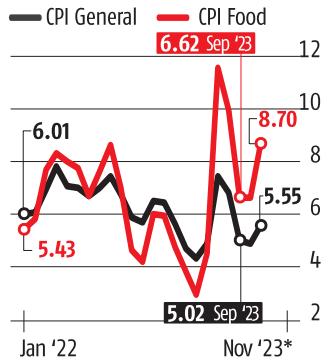


*Provisional

Source: NSO

RETAIL INFLATION: 3-MTH HIGH

(Y-o-Y in %)



*Provisional

Source: NSO

Turn to Page 8 ▶

▶ FROM PAGE 1

GDP outlook...

D K Joshi, chief economist at Crisil, said the rebound in IIP growth in October indicates continued economic momentum in the third quarter of FY24. "While the high reading came on a low base, activity rose sequentially with the onset of the festival season. Robust domestic demand conditions were reflected in electricity production and rising growth in consumer goods. Rising IIP of capital goods and infrastructure and construction goods suggests a strong investment momentum," he further said.

However, Joshi warned of signs of a slowdown ahead. "The RBI's consumer confidence survey of December showed weakening in future expectations. Measures to clamp down risky lending are expected to moderate credit growth and domestic demand. Rural demand remains vulnerable to weak agricultural output, erratic weather, and El Niño this year. The ongoing slowdown in some advanced economies is expected to add pressure on India's exports in the second half of this financial year," he said.

In the IIP, only four of the 23 manufacturing industries, including apparel, wood, computers, and furniture, saw con-

traction in October. Meanwhile, primary goods (11.4 per cent), capital goods (22.6 per cent), infrastructure goods (11.3 per cent), and consumer durables (15.9 per cent) saw double-digit growth. Intermediate goods (9.7 per cent) and consumer non-durables (8.6 per cent) also saw robust growth, indicating a revival in both urban and rural demand.

Food inflation in November rose to a three-month high of 8.7 per cent, up from 6.61 per cent in October, as vegetable prices accelerated sharply to 17.7 per cent. Core inflation, which excludes volatile food and fuel components, was close to 4 per cent in November. Fuel prices (-0.77 per cent) remained in contraction for the third consecutive month in November.

Last week, the Monetary Policy Committee (MPC) of the RBI unanimously kept the repo rate unchanged at 6.5 per cent for a fifth consecutive policy review. The RBI had retained its forecast for retail inflation at 5.4 per cent for FY24.

RBI Governor Shaktikanta Das has said that intermittent vegetable price shocks could once again push up headline inflation in November and December, but the monetary policy would look through such one-off shocks, though it has to stay alert to the risk of such shocks becoming generalised.

Aditi Nayar, chief economist at ICRA, said the lag in cumu-

lative rabi sowing vis-à-vis year-ago levels, as well as reservoir levels do not augur well for food prices, although the pace of the Y-o-Y inflation may moderate somewhat on the back of upcoming favourable base effects in January-February 2024.

Epic win...

The details about Epic's win have not been made public yet. But analysts believe that if this verdict is implemented, app developers may have a greater say in the way they get charged on the Play Store.

"We plan to challenge the verdict. Android and Google Play provide more choice and openness than any other major mobile platform. The trial made it clear that we compete fiercely with Apple and its App Store, as well as app stores on Android devices and gaming consoles. We will continue to defend the Android business model and remain deeply committed to our users, partners, and the broader Android ecosystem," said Wilson White, VP, Government Affairs & Public Policy, Google.

There's a significant interest in the case in India, where a section of developers tried to battle Google for reduction in service fees. "The verdict in the Epic vs Google case marks an epic win (pun intended) for app devel-