

IIP growth at 8-mth low in Nov, retail inflation rises in Dec

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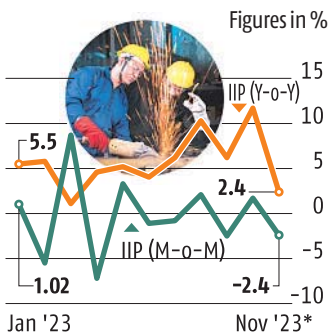
Ahead of the FY25 Interim Budget to be presented on February 1, India's industrial production growth fell sharply to an eight-month low in November due to a moderation in manufacturing activity led by the consumer goods as well as a high base effect.

Retail inflation in December, on the other hand, rose to a four-month high because of a seasonal spike in the prices of vegetables, fruits, and pulses that the Reserve Bank of India has already factored in.

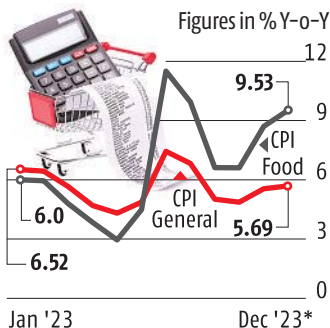
According to data released by the National Statistical Office (NSO) on Friday, the index of industrial production (IIP) grew by a meagre 2.4 per cent in November compared to 11.7 per cent in October, driven by moderation in growth of the manufacturing (1.2 per cent), electricity (5.8 per cent), and mining (6.8 per cent) sectors. In November 2022, IIP had registered 7.5 per cent growth.

Separately, the Consumer Price Index (CPI)-based retail inflation slightly rose to 5.69 per cent year-on-year (Y-o-Y) in December from 5.55 per cent in November.

IIP GROWTH MODERATES



CPI INFLATION AT 4-MONTH HIGH



*Provisional

Source: NSO

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IIP growth...

Rajani Sinha, chief economist at CARE Ratings, says while an unfavourable base resulted in a broad-based growth moderation, month-on-month contraction seen in the electricity and manufacturing sectors further constrained the overall IIP growth.

“Within the use-based components, the concerning aspect is the continued weakness seen in the consumer goods component and the sharp deceleration in the infra-related segment. Furthermore, the contraction witnessed in capital goods output also came as a negative,” she said.

In the IIP, 17 of the 23 manufacturing industries which included food, textiles, leather, wood, computers and paper among others, witnessed contraction in November. In the use-based segment as well, only primary goods (8.4 per cent), intermediate goods (3.5 per cent), and infrastructure goods (1.5 per cent) saw positive growth, whereas output in capital goods (-1.1 per cent), consumer durable (-5.4 per cent) and consumer non-durable (-3.6 per cent) contracted, indicating a fall in both the urban and rural demand.

“It remains to be seen if the pre-election spending can provide the much-needed impetus to rural demand. On the external front, though the global economy has remained largely resilient in the face of several headwinds, we maintain a cautious outlook amid weakness in exports. A durable recovery in demand remains critical for the trajectory of industrial activity going ahead,” said Sinha.

On the inflation front, food inflation in December rose to a four-month high of 9.53 per cent in December from 8.7 per cent in November, as vegetable prices accelerated sharply to 27.6 per cent. Prices of fruits (11.14 per cent), pulses (20.73 per

cent) and sugar (7.14 per cent) also gained momentum during the month. Meanwhile, inflation in cereal prices moderated slightly to 9.93 per cent, its lowest levels in the past 16 months.

Core inflation, which excludes the volatile food and fuel components, came in below 4 per cent in December, as prices of clothing and footwear (3.61 per cent), household goods (3.37 per cent), health (5.08 per cent), transportation (1.96 per cent), and education (4.77 per cent) saw deceleration during the month. Meanwhile, fuel prices (-0.99 per cent) contracted for December.

IT firms...

For the fourth straight quarter, the company's international growth was led by businesses in the UK and other parts of Europe. The UK business grew 8.1 per cent and Europe 0.5 per cent. North America was down 3 per cent. In India, business growth was 23.4 per cent.

Brokerage Motilal Oswal said TCS's management commentary regarding the spending environment in IT services remained unchanged, with a continued pause in discretionary deals adversely affecting business.

“While the company views its deal pipeline and booking as robust, it continues to expect improvement in client sentiment after the positive commentary by the US Fed in December 2023,” it said.

Infosys posted net profits of ₹6,106 crore in the third quarter, down 7.3 per cent from a year ago and 1.7 per cent lower Q-o-Q, slightly below the estimates. Revenue for the December quarter grew 1.3 per cent from the year-ago period to ₹38,821 crore, above the estimates.

“The much-anticipated revenue growth slowdown, which Infosys' successive guidance cuts were indicating, finally arrived. However, it was not as bad as the consensus feared. Also, the margin appears to