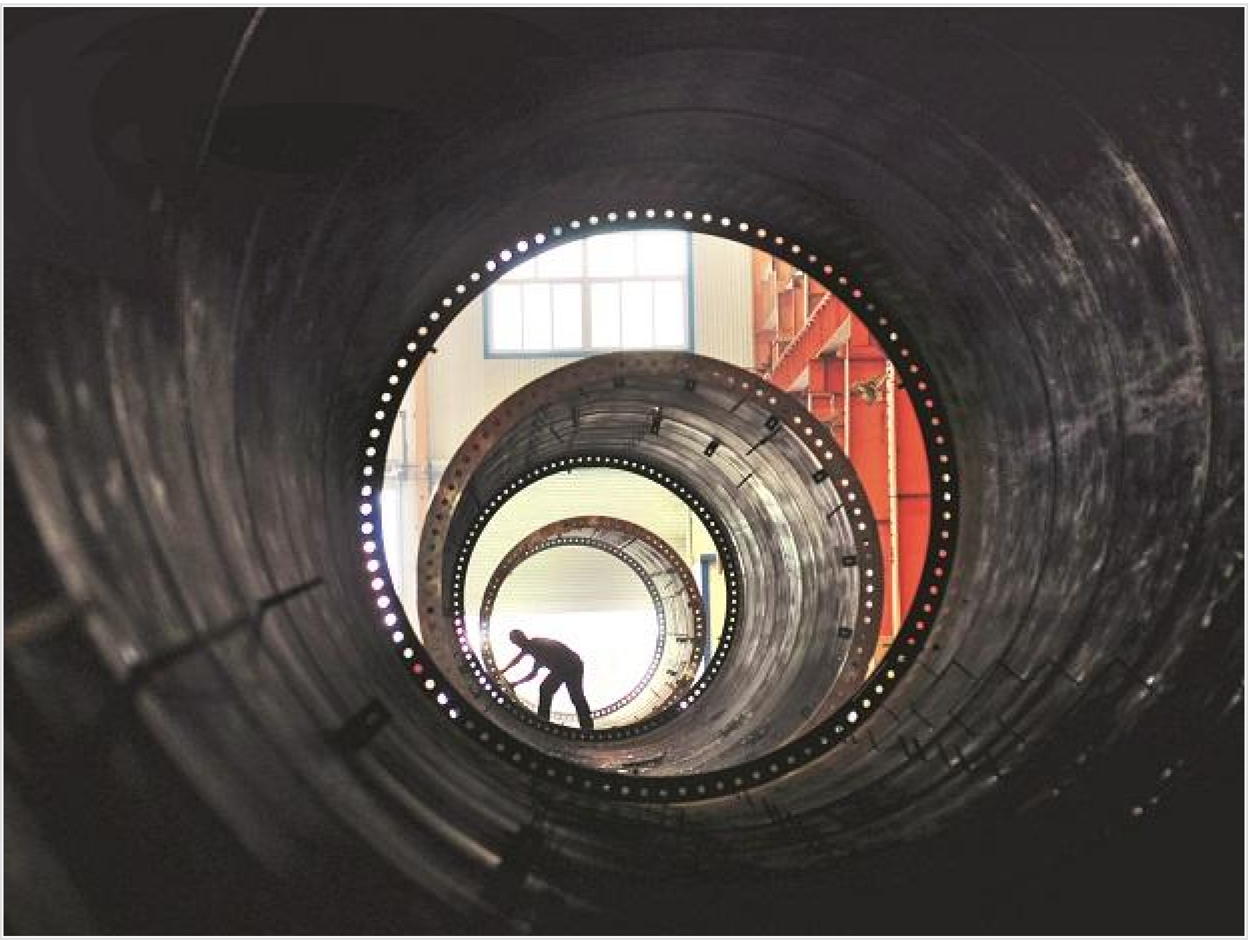
Business Standard

# September IIP shows a slowing at 3.8% growth

**Continued effect of demonetisation, GST impacts; expected to pick up**

**Arup Roychoudhury | New Delhi November 11, 2017** Last Updated at 01:38 IST



*11 of 23 industry groups in the manufacturing sector have shown positive growth in September 2017. Photo: iStock*

The country's Index of Industrial Production rose 3.8 per cent in September, compared with the revised 4.5 per cent in August (a nine-month high) and 5.7 per cent in September last year.

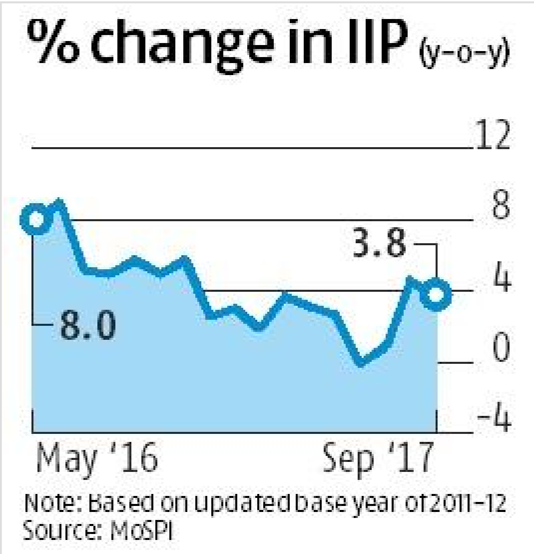
This slowing comes on the back of year-on-year fall in output in a number of sectors. These include textiles and apparel, electrical equipment, rubber and plastic products, electrical equipment and consumer durables.

Data issued on Friday by the Central Statistics Office showed the, April-September (first six months of the financial year) IIP was down 11.7 per cent compared with the first six months of 2016-17.

IIP constitutes a fourth of industry in Gross Domestic Product (GDP) data, the rest contributed by corporate results. The August and September data is a huge jump from the July IIP of 0.9 per cent, a 48-month low. And, indicates that GDP for July-September could be an improvement from the April-June economic growth of 5.7 per cent, the lowest in Prime Minister Narendra Modi's regime so far.

"On the available data in industrial output and corporate earnings, we expect broad-based recovery in the industrial sector in the second quarter (Q2, July-September), relative to the previous one, which should support an improvement in Gross Value Added growth to around 6.3 per cent in Q2," said Aditi Nayar, principal economist with ratings agency ICRA.

Adding: "The momentum of post-GST (goods and services tax) restocking recorded in August did not sustain in the subsequent month, despite the impending festive season. While the 4.8 per cent contraction in consumer durables is disappointing, it has been led by the sharp year-on-year decline in gold jewellery and electric heaters."




The drop in September IIP growth compared with September 2016, and the April-September cumulative figures, show the continuing effects of demonetisation and the GST. Business Standard travelled to five manufacturing and trading hubs late last month — Kanpur, Tirupur, Ludhiana, Kolkata's Burrabazar and Bhiwandi. The picture is grim for small and medium enterprises. There have been lay-offs, businesses are on thin margins, there is shortage of working capital, and there is down-sizing.

Manufacturing, with weightage of 78 per cent in the IIP, grew 3.4 per cent in September but was down 12.3 per cent for April-September year on year. Mining, which constitutes 14 per cent, was up 7.9 per cent in September but down 9.7 per cent for April-September. Electricity, with weightage of eight per cent, showed 3.4 per cent growth in September and was down nine per cent in April-September.

"Growth came in lower at 3.8 per cent than our expectation, which was higher at five per cent. The higher growth in core sector industries and festival demand has not translated into higher growth this month. As the kharif harvest comes in, we could expect consumer demand to also pick up and expectation for the full year is four-five per cent," said Madan Sabnavis, chief economist at CARE Ratings.