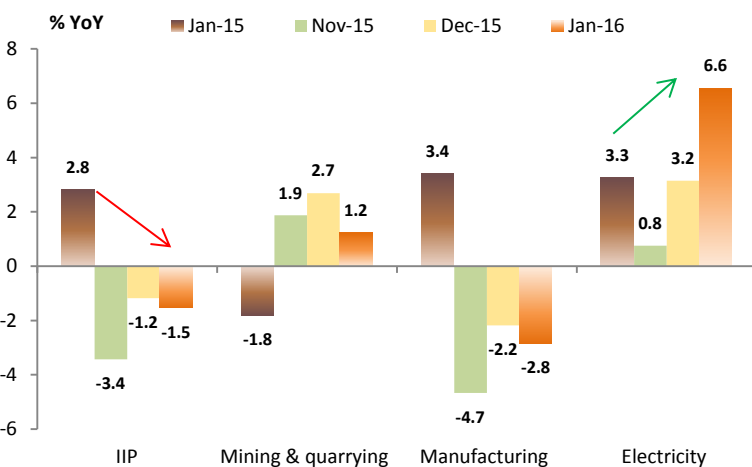


IIP contracted by 1.5 percent in January 2016

- ❖ Index of Industrial Production contracted by 1.5 percent in January 2016 as against a contraction of 1.2 percent in December 2015.
- ❖ Growth in the manufacturing sector registered a decline of 2.8 percent in January 2016 vis-à-vis a decline of 2.2 percent in the previous month. Growth in the mining sector slowed down to 1.2 percent in January 2016 as against a growth of 2.7 percent noticed in the previous month. Electricity, however, was the best performer, noting a strong growth of 6.6 percent in January 2016 as against 3.3 percent growth recorded in December 2015.
- ❖ As per use based classification of industrial production, basic goods as well as intermediate goods noted improvement in growth in the month of January 2016. Basic goods were seen growing by 1.8 percent in January 2016 vis-à-vis 0.5 percent growth noted in December 2015. Intermediate goods grew by 2.7 percent in January 2016. Growth of capital goods, however, remained in the negative zone for the third consecutive month, shrinking by 20.4 percent in January 2016.
- ❖ Consumer goods, too, witnessed contraction after registering growth for seven consecutive months. Growth in the consumer durables segment was recorded at 5.8 percent in January 2016 as against a double digit growth of 16.4 percent noted in the previous month. Consumer non- durables continued to shrink with growth declining by 3.1 percent in January 2016.

IIP – Economic Activity



IIP – Use Based Classification (Growth % Y-o-Y)

	Jan-15	Nov-15	Dec-15	Jan-16
Basic goods	4.8	-0.7	0.5	1.8
Capital goods	12.4	-24.5	-19.1	-20.4
Intermediate goods	0.1	-1.3	1.3	2.7
Consumer goods	-1.9	1.0	3.0	-0.1
Consumer durables	-5.7	12.5	16.4	5.8
Consumer non- durables	0.3	-5.1	-3.0	-3.1

- ❖ The growth in manufacturing sector remains fragile which is evident from the fall in manufacturing index for the last three consecutive months. The delay in the recovery of manufacturing is expected to impact the overall economic growth. This calls for addressing the issue of ease of doing business in a comprehensive manner that would help pull investments into manufacturing. Muted growth in consumer goods segment further raises concern on the demand for industrial goods which has been weak, especially the rural component. However, urban demand, as reflected by growth in the consumer durables segment, has also slowed down in January 2016 which is worrisome.
- ❖ The budget has tried to address tax related issues for manufacturing and we are hopeful that the measures would yield results in the near term. The budget also outlines measures such as implementation of Pradhan Mantri Krishi Sinchai Yojana in mission mode, creating a dedicated Long Term Irrigation Fund in NABARD with an initial corpus of about Rs. 20,000 crore and implementation of Unified Agricultural Marketing ePlatform, to provide a boost to the rural economy.
- ❖ The recent cut in the repo rate by the RBI and the steps taken to ease liquidity should help in effective transmission of rate cuts into lending rates. Banks should now take the lead in supporting the investment cycle and improving economic growth, going forward.

As per data released on March 11, 2016

Source: MOSPI, Economic outlook CMIE and FICCI Research