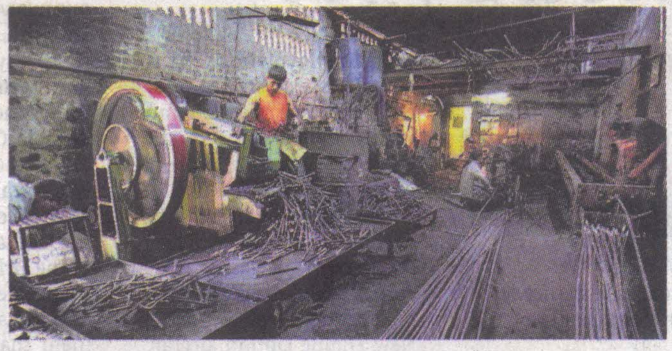
p.
THE HINDU BUSINESS LINE, APRIL 13, 2019

Industry growth slows to 0.1% in Feb; retail inflation up at 2.86% in March

Contraction in manufacturing hits factory output; food inflation now in positive zone



Lower growth rate in manufacturing is not good news for the job market

OUR BUREAU

New Delhi, April 12

Industrial growth dropped to 0.1 per cent in February while retail inflation inched up to 2.86 per cent in March. However, the retail inflation is still below the RBI target of 4 per cent.

It is important to note that food inflation is now in the positive zone after successive months of negative rates. This means farmers can breathe easy as they may get better price for their produce. The Ministry of Statistics and Programme Implementation released the data on Friday.

The two economic indicators may raise expectations of a cut in the policy rate by the RBI. Though the Monetary Policy Committee (MPC), under the chairmanship of the RBI Governor, cut rates twice this year, experts believe that another rate cut cannot be ruled out. Also, they feel that there should not just be policy rate cut, but equal importance should be given for transmission of such rate cuts. After 50 basis points (100 basis points = 1 per cent) cut in two successive policy announcements, banks, on an average lowered the lending rates by just 10-15 basis points. DK Pant, Chief Economist with India Ratings, said the RBI would wait till the presentation of the general budget by new the government before taking any monetary policy action. "Further monetary easing will be data dependent," he said.

Inflation

Rate or retail inflation, as presented by Consumer Price Index (CPI) was at 2.57 per cent in February, and at 4.28 per cent in March 2018. Rate of food inflation, which registered as Consumer Food Price Index (CFPI) registered 0.07 per cent as against (-) 0.73 per cent of March. Still, rates of retail inflation for fruits, vegetables, pulses and sugar (along with confectionery) are still in negative zone. On the other hand, retail inflation for fuel and light category was at 2.42 per cent, which had impact on overall rate.

Industrial growth

Growth in the industrial sector as represented by Indices of Industrial Production (IIP) slowed down to 0.1 per cent in February this year, compared to 6.9 per cent in February 2018. The growth rate was 1.44 per cent in January this year. The cumulative growth for the period April-February 2018-19 over the corresponding period of the previous year stood at 4.0 per cent.

The growth rate for mining, manufacturing and electricity sectors for the month of February 2019 stood at 2 per cent, (-) 0.3 per cent and 1.2 per cent, respectively. The cumulative growth in these three sectors during April-February 2018-19 over the corresponding period of 2017-18 has been 3 per cent, 3.8 per cent and 5.5 per cent, respectively. Lower growth rate in manufacturing is not good news for the job market as this sector has the potential of being a job multiplier.

In terms of industries, 10 out of the 23 industry groups in the manufacturing sector showed positive growth during the month of February, compared to the corresponding month of the previous year

The industry group 'Manufacture of wearing apparel' showed the highest positive growth of 19.3 per cent, followed by 13.8 per cent in 'Manufacture of food products' and 8.3 per cent in 'Manufacture of wood and products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials'.

On the other hand, the industry group 'Manufacture of machinery and equipment' has shown the highest negative growth of (-) 12.8 per cent followed by (-) 10.7 per cent in 'Manufacture of fabricated metal products, except machinery and equipment' and (-) 9.7 in 'Manufacture of furniture'.