

A FRAGILE MOMENTUM: ON THE ECONOMY AND INDIA'S GROWTH

Relevant for: Indian Economy | Topic: Issues relating to Mobilization of resources incl. Savings, Borrowings & External Resources

To enjoy additional benefits

CONNECT WITH US

March 14, 2023 12:20 am | Updated 12:20 am IST

COMMENTS

SHARE

READ LATER

On the face of it, the 5.2% uptick in [India's Index of Industrial Production \(IIP\)](#) this January is a good new year tiding for a metric that had seen two months of contraction in the previous five months. With the Gross-Value Added (GVA) in the economy by the manufacturing sector shrinking 3.6% in the July to September 2022 and 1.1% in the October to December 2022 quarters, one would hope that the final quarter of this financial year bucks this trend. To that end, January's factory output numbers offer moderate, although not necessarily adequate, encouragement. For one, the rise is almost twice the insipid 2.6% growth averaged in the previous quarter and marks a 4.7% improvement from output levels in December 2022. Double-digit growth in electricity and capital goods lifted the IIP, aided by a 9.6% rise in primary goods and an 8%-odd rise in mining and infrastructure goods (a three-month low for both).

Manufacturing rose 3.7%, which is slightly better than December's 3.1% increase, but 10 of 23 tracked sub-sectors recorded contractions in output and five of those slipped more than 10% from January 2022 levels. Textiles factories pared production by over 11%, wood products fell by 12.6%, wearing apparel units slashed output by 22.3%, while computers and electronics manufacturing fell 29.6%. As many as seven sectors have clocked output declines over the first 10 months of 2022-23, including electrical equipment, computers, pharma and the employment-intensive textiles, apparel and leather.

Weakening global demand is surely hurting factory order books and the increasingly hawkish monetary policy outlook in critical markets for Indian exporters such as the United State, do not augur well. On Friday, when the IIP numbers were released, global oil prices fell by another 1.3% as markets expect rate hikes by central banks will hurt demand (and export orders). Of equal concern for the Reserve Bank of India's Monetary Policy Committee (MPC) members, when they meet in early April, would be how domestic demand is holding up. Two MPC members had already flagged concerns about interest rates turning too high for comfort at its February meeting — one termed India's growth as 'extremely fragile'. The signals from consumer goods production numbers in January's IIP are not too enthusing. While consumer durables output shrank sharply year-on-year for the second successive month, it was almost 15% below pre-COVID levels. Non-durable consumption items grew 6.2%, the slowest pace in three months, with total output this year still below 2021-22 levels. A K-shaped recovery may be officially denied, but industry is pointing to a slower rebound in lower income and rural segments. All is still not well.

COMMENTS

SHARE

[industrial production](#) / [electricity production and distribution](#) / [electronics](#) / [exports](#) / [Reserve Bank of India](#) / [Coronavirus](#) / [mining](#)

BACK TO TOP

Comments have to be in English, and in full sentences. They cannot be abusive or personal. Please abide by our [community guidelines](#) for posting your comments.

We have migrated to a new commenting platform. If you are already a registered user of The Hindu and logged in, you may continue to engage with our articles. If you do not have an account please register and login to post comments. Users can access their older comments by logging into their accounts on Vuukle.

END

Downloaded from **crackIAS.com**

© **Zuccess App** by crackIAS.com