

# Industrial output contracts for 3rd month in a row

## Retail Inflation At 40-Month High

*TIMES NEWS NETWORK*

**New Delhi:**

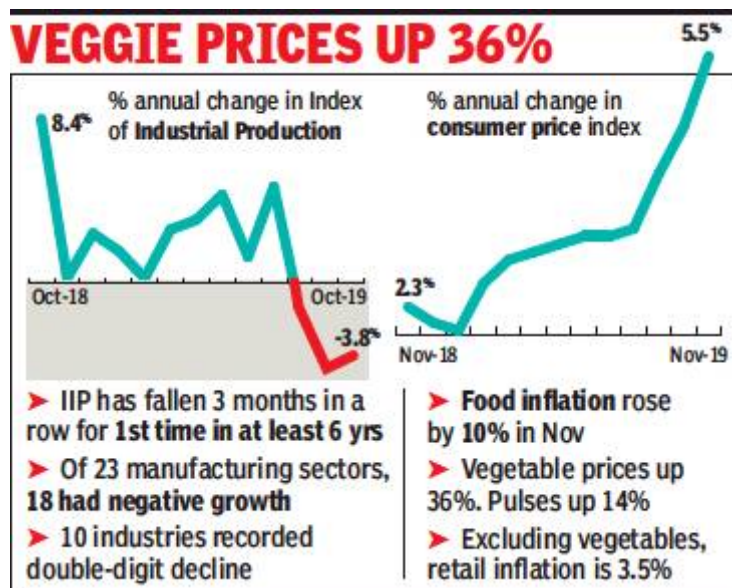
Industrial output contracted for the third successive month in October, dragged down by a sluggish manufacturing sector, while retail inflation soared to a near three-and-a-half-year high in November on the back of double-digit food inflation fuelled by vegetable prices. The two datasets unveiled by

the National Statistical Office (NSO) on Thursday highlighted more pain for the economy, already in the grip of a severe slowdown.

Retail inflation, as measured by the consumer price index, rose an annual 5.5% in November, higher than the previous month's 4.6% and way above the Reserve Bank of India's comfort level of 4%. The food price index rose an annual 10% during the month, rising from the 7.9% in the previous month. This is the first time in nearly six years that food inflation has hit double digits, the last time being in December 2013.

Vegetable prices rose an annual 36%, while the price of pulses shot up nearly 14%.

"While the CPI food inflation rose to an uncomfortably high 10% in November 2019, a moderation in vegetable prices should douse food inflation to a large extent in early 2020, and healthy groundwater and reservoir levels bode well for rabi output and yields of various cereals. However, the year-on-year decline in the area sown under rabi pulses and oilseeds poses a concern, given the high inflation being recorded by some of these items," said Aditi Nayar of ratings agency ICRA.



**Expect some revival in coming months: Expert**

Separate data released by the NSO showed the index of industrial production contracted 3.8% in October—lower than the decline of 4.3% in the previous month and way below the 8.4% expansion in October 2018. All three components of the IIP—mining, manufacturing and electricity—contracted during October, highlighting the extent of the slowdown.

The capital goods sector, a key gauge of investment activity, fell 21.9% in

November, compared with the 16.9% expansion in the year earlier month. This was the tenth consecutive month of contraction and the sharpest in the past seven years. The consumer durables segment contracted 18% during November, compared with the 17.4% expansion in October 2018, highlighting the demand slowdown in consumption. The sector contracted at the highest pace in the past seven years.

“We are expecting some revival in the coming months along with a favourable base for the rest of the months. On this premise, we are expecting industrial output to grow around 4% in FY20,” said Madan Sabnavis, chief economist at Care Ratings. Economists said the RBI will opt to wait and watch and may not cut interest rates in this financial year, which ends in March. “We believe that rising inflation till January 2020 may hold the rate cut for this financial year. As of now, we are holding on to a pause in RBI rate action for February and April policies. The possibilities of a rate cut beyond April will be data-dependent, but assign a low probability to such an action,” said Soumya Kanti Ghosh, group chief economic adviser at State Bank of India.

## Domestic air traffic rises 11% in Nov

### New Delhi:

India saw the first double digit growth in domestic air travellers this year with almost 1.3 crore flyers in November, up 11.2% from 1.16 crore in same month of 2018. The last time double digit growth was witnessed in December 2018 that saw 13% more domestic travellers than same month in 2017. The green shoots of November show the number of aircraft with Indian carriers is now back (in fact more) to pre-Jet Airways closure days. Schedule Indian airlines had 614 operational aircraft this January, a number that dropped to 533 when Jet Airways shut down in April. TNN

› At 11%, domestic air traffic up by double digits, [P 16](#)