

## **FICCI's REACTION TO IIP DATA FOR SEPTEMBER 2011**

**11 NOVEMBER, 2011, New Delhi:** Commenting on the Index of industrial production data for September which was released today, **Dr Rajiv Kumar, Secretary General, FICCI** said "The industrial growth outlook in the country has deteriorated over the last few months. Uncertainty in economic environment has impacted business and consumer confidence which is reflected in the negative growth of capital goods sector and also the consumer non-durable sector. The 1.9% industrial growth in September 2011 was the lowest in the last 28 months. We need proactive reform measures from the Government to reverse this trend and improve overall business sentiments"

Looking at the IIP figures of September Dr Kumar said "The negative growth of -6.8% in capital goods sector will find its manifestation in the growth of manufacturing sector in coming months with lags. This has profound implications and there is a risk of growth further falling in manufacturing in next few months".

Certainly, tight monetary policy and hardening of interest rates have affected the investments and there is need to provide fiscal measures to stimulate investment in the economy, said FICCI.

"Negative growth of mining is also a cause of concern which not only impacts other sectors but is also the under-utilisation of our large mineral base. An improved policy framework in the area of mining is required to incentivize large scientific mining in the country" said Dr Kumar.

"The continuous negative growth of textiles and apparel sector for the last few months would have serious implications for employment creation in the country as the sector is the second largest employer after agriculture" said Dr Kumar.

On moving average basis also the growth of manufacturing sector has been falling in the last few months. In September 2011, the three month moving average growth of manufacturing sector was 3% which is the lowest since November 2009.

**Table: Three Months Moving average growth for Manufacturing Sector for the period January -September 2011**

<b>Month</b>	<b>Three Months Moving average for Manufacturing Sector</b>
Jan'11	7.8
Feb'11	8.0
Mar'11	8.6
April'11	8.2
May'11	7.6
June'11	7.5
July'11	6.0
August '11	5.6
September'11	3.0

*Source: FICCI Analysis*

FICCI analysis also shows that industrial growth will moderate further in coming months given that IIP growth will have to overcome a high base in the second half.

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