

FICCI's Reaction to IIP Data for July 2012

New Delhi, September 12, 2012: Commenting on the Index of Industrial Production (IIP) data for July 2012 which was released today, **Mr R V Kanoria, President, FICCI** said "The positive 0.1% growth in IIP is insignificant since both the capital and intermediate goods category are in negative territory. The negative growth in capital goods will have lag effect implying that industrial growth will remain subdued in coming months".

The 0.1% growth in IIP in July is due to positive growth in electricity which also seems to be slowing down due to current uncertainty of fuel supply.

"What is worrisome is the fact that only eight out of twenty two industry groups have shown positive growth in July as compared to fourteen industry groups in the last month. This will have implications for employment also as the deceleration becomes more broad based" noted Mr Kanoria.

"Fiscal deficit remains an area of concern and is a major factor leading to weak investment climate in the country and low business sentiments. We are still waiting for bold announcements on reforms in areas like decontrolling diesel price, reducing fiscal deficit to create an atmosphere which will encourage investment" said Mr Kanoria.

FICCI emphasized "The problem of inflation is primarily due to food items which is a product of supply side bottlenecks and also to some extent the large increases in MSP. There is a strong case for RBI to cut down interest rates further at least by another 50 basis points immediately".

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