



Dear Member,

The impact of possible slow-down of US economy has its share on global capital markets and economies. India too had its share with the release of data on the various segments of Indian economy by the Central Statistical Organisation(CSO) with the release of data. The industrial growth rate for the first ten months of the financial year April to January 2007-08 was down to 8.7 per cent compared to 11.2 per cent registered in the same period of 2006-07. Consumer durables registered a decline in output by 3.1 per cent in January 2008 compared to 2007. For the 10 months of the fiscal also, the consumer durable growth rate is down turn by 1.7 per cent. However, consumer non-durables - fast moving consumer goods (FMCG) showed positive signs of growth. In January 2008, the growth rate was 10.1 per cent, pulling up the ten-month figure to 8.6 per cent. The growth in manufacturing sector was highly poor at 5.9 per cent in January 2008, while mining and quarrying registered 1.8 per cent and electricity generation grew by 3.3 per cent. Food products, beverages, tobacco growth rates touched 10 percent, cotton textiles grew at a low pace of 3.1 per cent in January 2008 and some what better at 4.5 per cent in the ten-months of the fiscal.

The slow-down in the economy is also attributed to central government's efforts to maintain a balance between growth and inflation. It is the high interest rates alongwith appreciation of rupee which is hurting the industrial growth. With a inflation at 5.02 per cent, it is a big dilemma for the centre to strike a balance between inflation and interest rate. The RBI had mainly kept interest high to keep prices under control. The current inflation is mainly due to short supply of commodities than due to monetary reasons. "There is a short supply of food and its demand is shooting up which is increasing its prices. The prices of cement is also increasing due to its short supply", said an industry source. Vanishing liquidity is also said to be one of the reasons for the slow down in production. It would take three to four months before the impact of reduction in excise duty announced in the budget 2008-09 could be felt on the industrial growth.

Thanks for your cooperation



Atluri Subba Rao