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### Industrial Production slips to 1.9% in Sep 2011

- **IIP grew by a meager 1.9% in Sep-11, significantly lower than the market expectation of ~3.5% led by just 2.1%yoy growth in manufacturing. Mining output declined by steep 5.6% yoy**
- **Capital goods data continues to remain volatile with 6.8% yoy decline in September 2011, as against 4.1%yoy growth in August 2011**
- **Consumer goods pick up slightly, with growth inching up to 3.5%. Higher demand ahead of festive season drive consumer durable growth to 8.7%; Non durables however falls 1.3% yoy**
- **We expect lower IIP growth rate to continue as is reflected in significant deceleration in growth of intermediate goods production**

#### Industrial Production slips to 1.9% in Sep 2011

The index of industrial production (IIP) grew by a meager 1.9% in Sep-11, significantly lower than the market expectation of ~3.5% led by just 2.1%yoy growth in manufacturing and 5.7% decline in mining output. While the manufacturing growth during the month was lowest in the last two years, fall in mining output was the highest in the last six years.

The slowdown in manufacturing was driven by negative growth in Electrical machinery & Apparatus (-27.7%), Furniture; manufacturing (-8.2%), Wearing apparel (-8.1%), Chemicals and chemical products (-6%), Rubber and plastics products (-1.8%) and textiles (-1.9%). However few key important industries like basic metals (10.4% yoy), fabricated metal products (11.8% yoy), and other transport equipments (19% yoy) have still grown strong.

#### Consumer goods growth inches up, however still lower at 3.5%

Consumer goods after showing dismal growth of 2.3% in last month, saw some pick up with growth inching up to 3.5% for the month of September. The growth was driven by 8.7%yoy growth in durables which could be attributed to higher demand ahead of festive season in October. The non durables however witnessed decline of 1.3%yoy.

The capital goods data continue to remain volatile with 6.8%yoy decline in September 2011, as against 4.1%yoy growth in August 2011. Moreover basic goods and intermediate goods data was also disappointing with 3.3%mom/ 2.0% mom fall in basic and intermediate goods respectively.

#### Lower Intermediate goods growth signals subdued IIP growth ahead

We expect the lower IIP growth rate to continue as is reflected in significant deceleration in growth of intermediate goods production. In the last five months intermediate goods on an average has grown by even less than 1%, as against as against average growth of more than 7% for FY11.

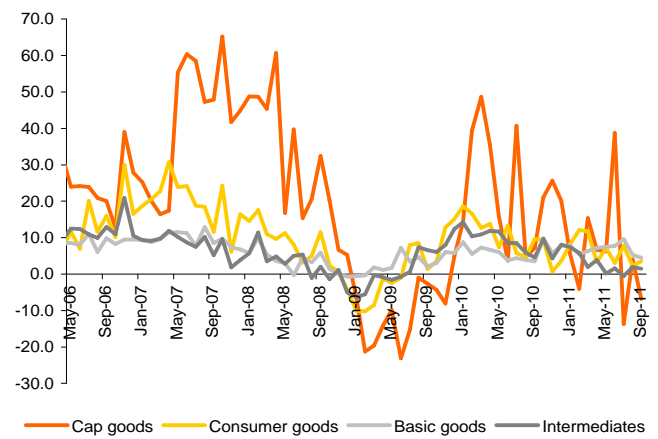
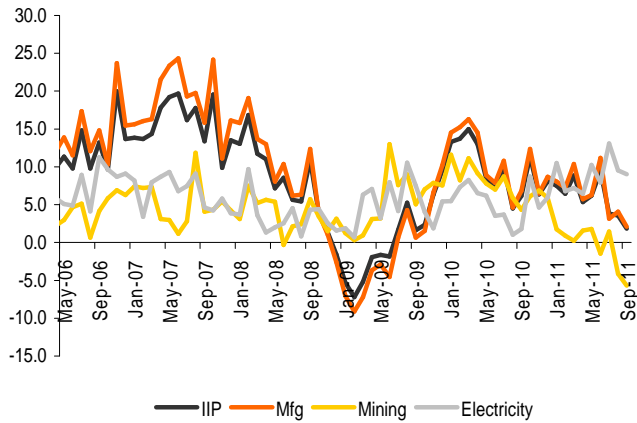
## Mfg growth lowest in last two years

% yoy	IIP	Mfg	Mining	Electricity	Cap goods	Cons. goods	Durable	Non-durable	Bas. good	Intermediates
Sep-06	13.2	14.8	4.2	11.3	20.0	15.9	20.5	13.8	9.8	12.9
Sep-07	13.4	15.9	4.1	4.6	47.9	11.6	21.7	6.3	8.6	5.1
Sep-08	10.9	12.4	5.7	4.3	32.4	11.5	31.2	-0.4	5.9	2.0
Sep-09	1.6	0.6	5.0	7.5	-2.7	1.4	5.6	-1.9	2.1	6.6
Sep-10	6.2	6.8	4.3	1.8	7.2	9.6	14.2	5.9	3.5	4.6
Sep-11	1.8	2.1	-5.7	9.0	-6.8	3.5	8.7	-1.3	4.5	1.5

% mom	IIP	Mfg	Mining	Electricity	Cap goods	Cons. goods	Durable	Non-durable	Bas. good	Intermediates
Sep-07	-0.4	0.1	-1.3	-4.4	10.2	-1.3	-1.3	-1.2	-2.4	-2.7
Sep-08	4.7	5.7	1.9	-1.1	21.0	4.9	5.8	4.0	0.2	0.2
Sep-09	1.1	2.0	-1.8	-3.8	19.0	-2.0	1.7	-5.0	-2.4	-0.4
Sep-10	2.7	4.2	-3.3	-3.1	21.9	2.7	7.4	-1.2	-2.6	-1.7
Sep-11	0.9	2.2	-4.9	-3.5	9.2	4.0	10.6	-1.9	-3.3	-2.0

## IIP grows below expectation led by fall in Mfg &amp; Mining

## .. Basic goods growth continue to remain subdued



Source: CSO, Emkay Research

## Industrial production (Base=2004-05)

% yoy change	Sept-11	Sept-10	Aug-11	YTD FY12	YTDFY11
IIP	1.9	6.2	3.6	5.0	8.2
<b>General</b>					
Mfg	2.1	6.8	4.1	5.4	8.8
Mining	-5.6	4.3	-4.1	-1.0	7.2
Electricity	9.0	1.8	9.5	9.4	3.8
<b>Use based</b>					
Cap goods	-6.8	7.2	4.1	4.6	16.4
Consumer goods	3.5	9.6	2.3	4.5	9.0
Durable	8.7	14.2	5.5	5.2	15.9
Non-durable	-1.3	5.9	-0.6	3.8	3.8
Basic goods	4.5	3.5	5.2	6.9	4.7
Intermediates	1.5	4.6	1.9	1.4	8.4

Source: CSO, Emkay Research

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