



**INDIA**

**India Econ Flash**

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**Supply side issues see July Infrastructure slowing to 6.3%**

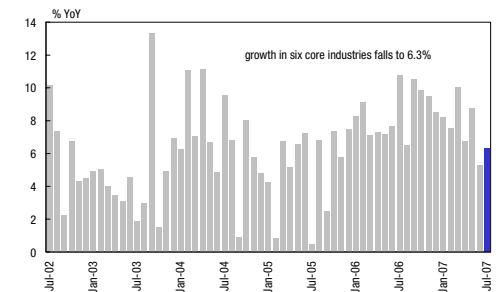
**Current Trends in Infrastructure Index (%YoY)**

	Jul-07	Jun-07	May07	Apr-07	Mar-07	Feb-07	Jan-07	Dec-06	Nov-06	Oct-06	Sept-06	Aug-06	Jul-06
Infrastructure Index	6.3	5.3	8.7	7.4	10.0	7.5	8.2	8.5	9.5	9.8	10.5	6.5	10.9

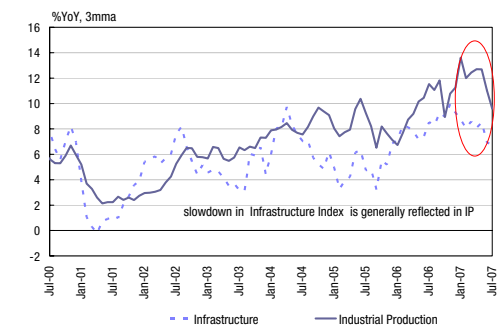
Source: Office of the Economic Advisor.

- Similar to trends in the overall IIP data, the six core industries (a sub-set of the IIP) decelerated to 6.3% in July v/s 8.7% last year. On a cumulative basis, growth during Apr-Jul was 6.1% v/s 8.7% last year. The sectors that saw the max decline were:
  - **Coal mining** rose to just 1.1% in July with production hampered by transportation issues and delays in finalizing the mineral policy<sup>1</sup>
  - Growth in the **construction indicators** (cement and steel) halved compared to last year; the reasons being capacity constraints and shutdowns rather than lower demand.
  - The slow-down in **refinery products** is largely attributed to the base effect – a result of high capacity expansion last year
  - Given current trends in industrial growth, our full year 10% growth estimate for industry appears optimistic. But we are maintaining our full year 9.3% GDP estimate as (1) the infrastructure slowdown is largely supply driven (2) agriculture could surprise on the upside and (3) a relatively benign monetary policy environment which should stem further decline in consumption

**Trends in the Infrastructure Index (%YoY)**



**Trends in Industrial Prod and Infrastructure (%YoY)**



Source: Office of the Economic Advisor

**Trends in the Infrastructure Index (%YoY)**

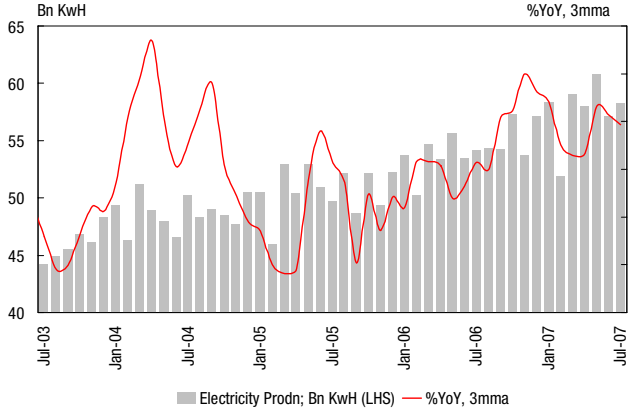
	Wts	Jul-07	Jul-06	Apr-Jul FY08	Apr-Jul FY07
Crude Oil	4.2	0.9	4.1	-0.3	1.2
Petroleum Refinery	2.0	4.6	12.6	11.0	12.1
Coal	3.2	1.1	9.1	0.6	8.3
Electricity	10.2	7.5	8.9	8.1	6.2
Cement	2.0	9.0	14.0	7.3	11.1
Steel	5.1	7.9	15.0	5.3	13.3
<b>Total</b>	<b>26.7</b>	<b>6.3</b>	<b>10.9</b>	<b>6.1</b>	<b>8.7</b>

Source: Office of the Economic Advisor

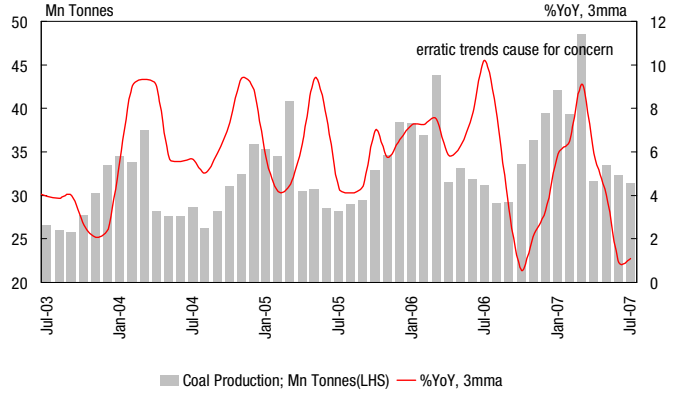
<sup>1</sup> State governments are insisting on value addition being done within the state as a condition for allocating mineral resources such as coal and iron-ore.

## Infrastructure- Core Sectors in Pictures

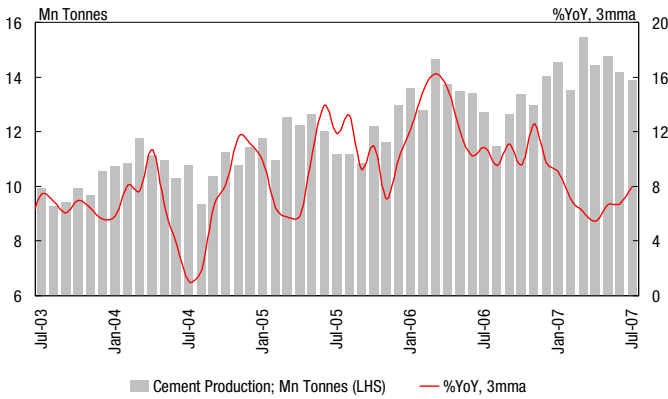
### Trends in Electricity- Production and Growth (Bn Kwh, %YoY-3mma)



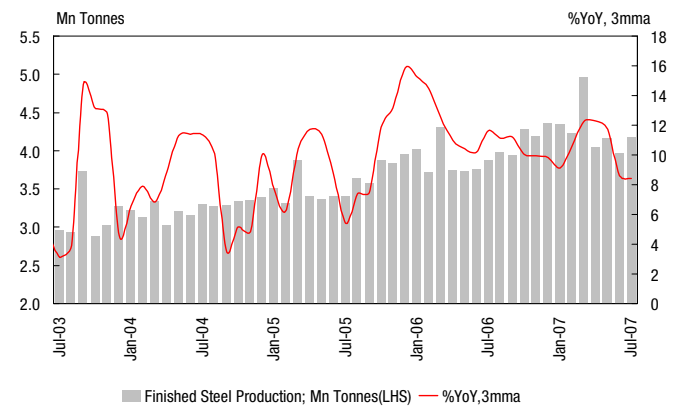
### Trends in Coal- Production and Growth(Mn Tonnes, %YoY-3mma)



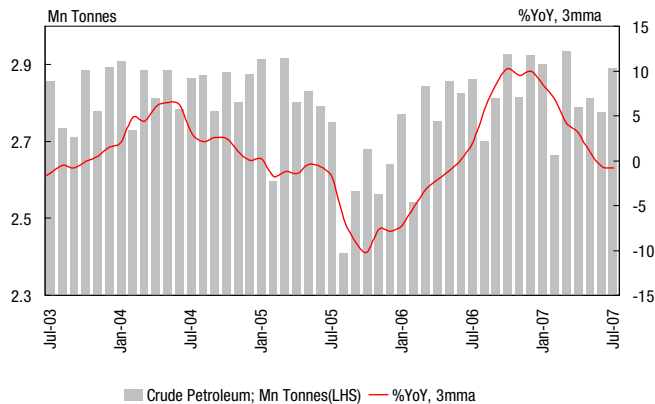
### Trends in Cement- Production and Growth (Mn Tonnes, %YoY-3mma)



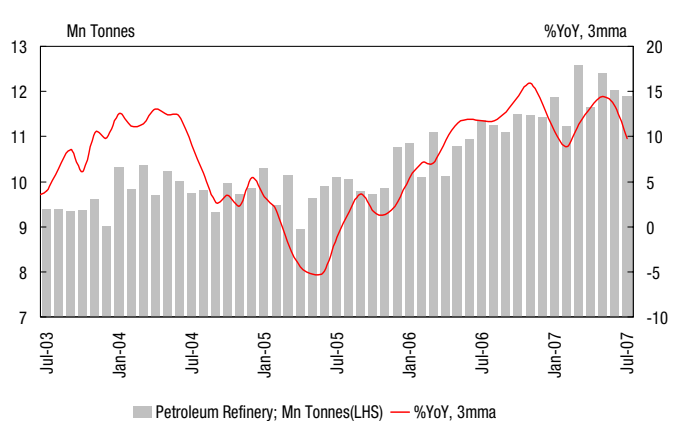
### Trends in Steel- Production and Growth (Mn Tonnes, %YoY-3mma)



### Trends in Crude Petroleum- Prodn and Growth (Mn Tonnes, %YoY-3mma)



### Trends in Petroleum Refinery- Prodn and Growth (Mn Tns, %YoY-3mma)



Source: Office of the Economic Advisor

## Disclosure Appendix

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