

Industries reiterate rate cut demand as IIP growth slows, inflation falls

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With slowing down of industrial production growth to 3.1 per cent in April and falling consumer price index to 2.18 per cent in May, industry players on Monday reiterated their demand for an interest rate cut by the Reserve Bank of India (RBI).

"..it is unfortunate for the industry that while the government has taken steps to revive the demand by implementing reforms, RBI's stance to maintain the status quo has hit the expectations of the industry though there was a room for a rate cut," ASSOCHAM said in a statement.

According to official data released on Monday, the factory output for April, as per the new Index of Industrial Production (IIP) with revised base year of 2011-12, grew by 3.1 per cent over the corresponding month of last year. The growth estimates for March 2017 were revised to 3.75 per cent from 2.7 per cent.

"Overall the industrial growth seems to be stabilizing and could pick up momentum if global demand is steady in months to come. Industry is looking forward to forthcoming foreign trade policy review to further encourage manufacturing exports," said Ficci President Pankaj Patel.

Retail or consumer price indexed (CPI), inflation during May also fell to 2.18 per cent, as compared to 5.76 per cent in the same month of last year, pulled down by a sharp fall in food prices.

"A more accommodative monetary policy with lower interest rate would stimulate consumer demand that would hedge any downside risk arising from exports," Patel said.

ASSOCHAM stated that domestic market would be the driving force in the coming months as growing Indian economy will provide a steady flow of new businesses.

However, risks to the Indian economy - in the form of an uncertain global environment - could further delay a meaningful recovery of external demand, it added.