India Factory Output Continues Upward Momentum

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MUMBAI, India (AP) — India's factory output rose 10.3 percent in October from a year earlier as stimulus measures and domestic demand pushed Asia's third-largest economy into its 10th straight month of industrial expansion.

Manufacturing output grew 11.1 percent, rebounding from a 0.6 percent contraction last October, according to government figures released Friday. Consumer durables production shot up 21 percent and capital goods production rose 12.2 percent.

The government also revised its number for September industrial output growth to 9.6 percent from 9.1 percent.

Low output this time last year, as India struggled with the fallout of the global financial crisis, helped boost performance. In October 2008, industrial output was just 0.1 percent higher than the prior October.

Economists said October output was 2.3 percent lower than September's, on a seasonally adjusted basis, partly because of the festive season, which cut into working days.

Economists had expected October industrial production to rise 10.3 percent over last year, according to a poll by Thomson Reuters, but a CNBC-TV18 poll pegged expectations at 12.5 percent.

Disappointed traders sent the benchmark Sensex index down 1.7 percent to 17,056.1 points, before the index recovered to be down 0.3 percent in afternoon trade.

Hitesh Agrawal, head of research at Mumbai's Angel Broking, said that though the monthly number came in below his expectation of 13 percent, it did not change his long term view that India is on the path to recovery.

"India is a self-sustaining economy," he said. "We don't have to depend too much on exports or other economies for our survival. Interest rates are pretty attractive in India. That's an important lever for us."

He said he was confident the recovery will hold, even as the effects of government stimulus spending wear off and India's weakest monsoon in nearly four decades begins to cut into rural consumption.

"India still has a lot of potential for penetration, a lot of markets haven't been reached," he said. "Banks domestically have a lot of liquidity and consumer

sentiment has clearly picked up. People are buying."

India's economy grew 7.9 percent in the July-September period, far faster than expected. Growth for the fiscal year ending March 31 skidded to 6.7 percent, its worst since 2003.

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