India Car Sales Highest Ever, Industrial Output Up

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MUMBAI, India (AP) — India's car sales hit their highest ever level in February and monthly industrial production showed surprisingly strong growth, data showed Monday.

The numbers are a positive surprise amid India's economic slide and reduce the likelihood that the central bank will cut interest rates when it meets Thursday, but analysts caution that the data may not indicate a long-term turnaround.

India's president, Pratibha Patil, sought to reassure Parliament that the economy will regain its high growth trajectory. She said that despite falling to around 7 percent this fiscal year from 8.4 percent last year, India's economic growth will soon return to 8 to 9 percent levels.

"The long-term fundamentals of the Indian economy remain robust," she said, according to an official transcript of her remarks. "India's growth prospects arise from factors such as high domestic savings and investment rates, favourable demographics, and a stable democratic polity. My government is confident that it will soon steer the country back to the high growth trajectory of 8 to 9 percent."

Car sales rose 13 percent in February from a year earlier to 211,402 vehicles, the first time Indians have ever bought over 200,000 cars in a single month, according to the Society of Indian Automobile Manufacturers.

The flurry of buying came just before the announcement of a new national budget Friday that is widely expected to raise excise taxes on vehicles and impose an extra tax on diesel vehicles, which have been in high demand because government subsidies make diesel cheaper than petrol.

"To a large extent it is pre-budget buying," said SIAM senior director Sugato Sen. "But some improvement in sentiment is also witnessed. People now feel interest rates aren't going to increase any further."

So far during the fiscal year ending in March, car sales have crept up 0.3 percent, against the previous year's surging growth of 29.5 percent.

Industrial production rose 6.8 percent in January from a year earlier, thanks to a rebound in manufacturing and a surge in consumer nondurable goods production, the notoriously volatile government data showed.

Production of consumer nondurable goods surged 42.1 percent. Production of capital goods like factories, machines and tools — which are an indicator of

investment — fell 1.5 percent from a year earlier, its fifth straight monthly decline.

The longer term trend is less rosy, with April-January industrial production up 4.0 percent, versus last year's 8.3 percent rise.

Barclay's Capital analysts said the data are "not a game changer."

"The January spike very likely remains a case of data-related issues," they wrote in report.

Sen said the car group is sticking to its earlier projections, with car sales for the fiscal year likely to grow from 0 to 2 percent. Passenger vehicle sales — which include SUVs — likely to rise 2 to 4 percent, and commercial vehicle sales likely to grow 18 to 20 percent.

"While interest rates are expected to moderate going forward, providing relief to automakers, the likely increase in excise duty to rein in the widening fiscal deficit presents challenges to demand growth and pricing power of automakers," Angel Research analysts wrote in a Monday report.

The government may also impose a tax of some 81,000 rupees ($1,620) on diesel vehicles.

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