India Industrial Output Rises 8.2 Percent In October

The Associated Press

NEW DELHI (AP) — Industrial production in India soared 8.2 percent in October, a sharp spike for Asia's third largest economy but industry viewed the data with some caution.

The data from India's Central Statistics Office on Wednesday showed that manufacturing rose 9.6 percent and electricity output increased 5.5 percent from the year before.

Production of capital goods — a sign of investment in physical assets such as machinery — grew 7.5 percent.

According to Press Trust of India news agency Finance Minister P. Chidambaram said he was "encouraged" by "the indications of the green shoots in economy in terms of production."

However the Confederation of Indian Industries said the figures were better than expected but added that it was too early to talk about an economic revival.

The director general of the industry group said that it was usual for the index to pick up pace during India's October-November festival season.

"We have to keep in mind is that every year, prior to the festive season IIP picks up and then there is a drop. Therefore, it would be too early to say that a turnaround is underway," Chandrajit Banerjee said in a statement.

Much also still needs to be done to clean up India's power sector, with many state utilities facing bankruptcy. India's mining sector has been hobbled by scandal, fights over land, and bureaucratic bottlenecks.

India is struggling with high inflation and high interest rates, coupled with a wide fiscal deficit, weak currency, and uncertain policy environment, which have hit both consumption and investment. The Reserve Bank of India has said that controlling inflation remained its primary concern.

Banerjee said he hoped the RBI would start cutting interest rates in January as India currently had the "highest interest rate regime anywhere in the world."

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