



# In slow mode

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## **Manufacturing, inflation data give monetary policy makers room for an interest rate cut**

- Manufacturing activity in the country continues to remain becalmed.
- The latest Index of Industrial Production data show that output across the broad sector expanded 1.3% in January, a clear loss of momentum from the 3% pace in December and a drastic slowdown from the 8.7% growth seen in January 2018.
- But the fact that key job-creating industries, including textiles, leather and related products, pharmaceuticals, rubber and plastic products, and motor vehicles, reported contractions hardly bodes well for the real economy.
- A look at the use-based classification of industries also gives little cause for cheer.
- Capital goods, a closely watched proxy for business spending plans, contracted 3.2%, a telling contrast with the 12.4% expansion posted 12 months earlier.
- A sustained revival on this vital front may still be some time away.
- If the IIP poses cause for concern, retail inflation data hardly provide much reassurance.
- Looking ahead, with Saudi Arabia committed to deepening its production cuts in order to keep crude oil prices well-supported, it appears unlikely that India's fuel and energy costs will stay soft for much longer.
- And with political parties sure to open the spending spigot in a bid to woo voters, inflationary impulses will quicken.
- For now, though, with growth slowing and inflation still comfortably within the Reserve Bank's 2%-6% target range, monetary policy makers would feel justified in pressing ahead with one more interest rate cut at their meeting next month.