India industrial output down in September

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NEW DELHI (AP) -- India's industrial production contracted 0.4 percent in September, government data showed Monday, far worse than expected as manufacturing output continued to slump amid signs of weakness in investment and consumer demand.

The results indicate that Asia's third largest economy still has a way to go to pull itself out of its current slowdown, despite a barrage of economic reform announcements by New Delhi's beleaguered administration, which is keen to avoid a ratings downgrade.

Monday's data also does little to encourage the central bank to ease interest rates, a move advocated by politicians and businesses eager to give a quick boost to economic growth, which is at its lowest levels since the global recession of 2009.

Manufacturing output contracted 1.5 percent in September from a year ago. Capital goods production — an important indicator of investment in physical assets like machinery — fell 12.2 percent. Production of consumer goods fell a surprising 0.3 percent. Mining output rose 5.5 percent, while electricity production was up 3.9 percent, the data showed.

Shubhada Rao, chief economist at Mumbai's Yes Bank, called the results "very disappointing." While she cautioned that the central bank is unlikely to make policy decisions based on a single month of data from a notoriously volatile indicator, she said the data suggests that India is "not completely out of the woods as far as growth momentum is concerned."

"With all the measures the government has taken and will continue to take, we could see an improvement in growth momentum," she said, adding that India's recovery is likely to be gradual, rather than V-shaped.

Analysts surveyed by CNBC-TV18 had forecast a 3.2 percent jump in September industrial output, coming on the heels of a revised 2.3 percent gain in August.

Output at India's factories, utilities and mines rose 2.5 percent last September

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