Economy

Core industries output sees marginal 0.1% rise in January

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Steel, fertilisers and electricity rise; coal & cement contract

Aided by an expansion in steel, fertilisers and electricity sectors, the output of eight core industries grew 0.1 per cent in January. However, this was lower than the 0.2 per cent growth seen in December (revised upward from – 1.3 per cent earlier) and the 2.2 per cent growth in January 2020.

For the month under review, five of the eight core industries – coal, crude oil, natural gas, refinery products, fertilisers, steel, cement and electricity – saw a contraction.

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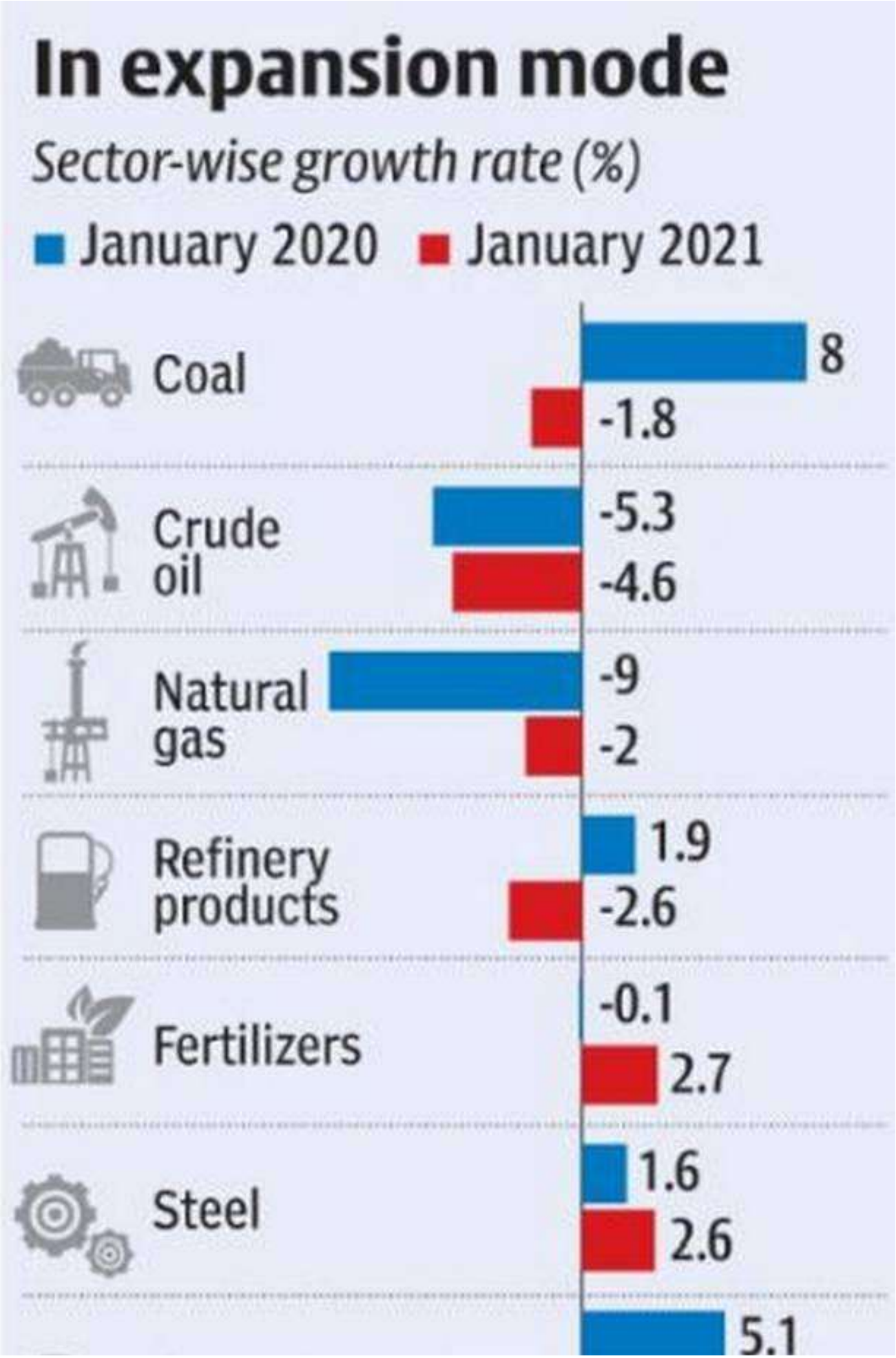
The anaemic growth in January is a concern as it has a weight of nearly 40 per cent in the Index of Industrial Production (IIP) and reflects physical production that has now declined by 8.8 per cent for the year, Madan Sabnavis, Chief Economist, CARE Ratings, told *BusinessLine*. “IIP growth for the month can be expected to be positive but less than 1 per cent provided support given by consumer-oriented industries,” he said.


In expansion mode
Sector-wise growth rate (%)
January 2020
January 2021
Coal
8
-1.8
Crude oil
-5.3
-4.6
Natural gas
-9
-2
Refinery products
1.9
-2.6
Fertilizers
-0.1
2.7
Steel
1.6
2.6
5.1

Steel output steady

While steel output has expanded steadily, at 2.6 per cent for the second consecutive month, the pace of contraction in cement production eased in January to 5.9 per cent from a contraction of 7.2 per cent the previous month.

An unfavourable base-effect led to the contraction in coal of 1.8 per cent in January from 2.2 per cent growth in December.

Aditi Nayar, Principal Economist, ICRA, said: “Based on the available data for the core sector, merchandise exports and auto output, we project the growth in the IIP to remain subdued at 0.5-1.5 per cent in January.”

Sabnavis highlighted that cement has now de-grown for three months, which is disappointing as this reflects developments in the construction sector that was expected to pick up.

Quite clearly the mood in the real estate sector has not recovered as the focus is on disposing of inventory rather than going in for new projects, he said.

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