INDUSTRY

# Core sector output rises 16.8% in May

SPECIAL CORRESPONDENT

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## Six out of the eight core sectors reported significant positive growth due to the base effects from May 2020

Output from India's eight core industries grew 16.8% in May 2021, with six sectors reporting significant positive growth due to the base effects from May 2020 when the country was in the middle of a national lockdown.

However, the core sectors' overall output in May 2021 was a substantial 8% lower than the pre-Covid-19 level of May 2019, said ICRA chief economist Aditi Nayar, adding that growing State-level restrictions in the month has led to a month-on-month decline in electricity, cement, refinery products, steel, and crude oil output.

"Even though construction activities were allowed amidst the States' restrictions, the cement sector saw the largest sequential moderation in May 2021 as well as the deepest pace of contraction relative to May 2019 (15.2%). This may reflect the impact of the second wave on rural demand, as well as the year-on-year decline in the Government of India's capital outlay in May 2021," noted Ms. Nayar.

Core sectors' output had risen by a sharp 60.9% year-on-year in April 2021, due to the disproportionate impact of base effects from last year's lockdown, which has moderated in May.

Fertiliser production, which was the only sector to record growth (7.5%) in May 2020, declined by 9.6% this May. Crude oil output, which had fallen 7.1% last May and has been contracting every month since then, fell a further 6.3% in May 2021, as per provisional data released on Tuesday.

"The numbers are misleading to an extent due to the base effect as last year, there was a total lockdown. Two of the eight segments: crude oil and fertilizers registered negative growth rates. Natural gas, refinery and steel witnessed double digit growth rates," said CARE Ratings chief economist Madan Sabnavis.

The Index of Industrial Production (IIP) could register 20%-30% growth in May, based on this core sectors' performance, Mr Sabnavis reckoned.

Steel output rose 59.3% in May, compared to a 40.4% decline in the same month of 2020, while cement grew 7.9%, compared to a 21.4% dip last May. Coal production increased by 6.9% from a 9% contraction in May 2020.

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