

Economic recovery fizzling out? Core sector output shrinks 2.6% in November

Impact on IIP likely even as some economists believe consumer goods might tone it down to some extent. Core sector accounts for 40.27% of IIP

Indivjal Dhasmana | New Delhi December 31, 2020 Last Updated at 18:33 IST



The apprehension about the economic recovery fizzling out after October may not be totally unfounded, with the output of the eight-industry core sector dropping by 2.6 per cent in November, as against the contraction of 0.1 per cent in September and 0.9 per cent in October.

This may have repercussions for the Index

The core sector output declined for the ninth consecutive month.

of Industrial Production (IIP), even as some economists believe that consumer goods might offset it a bit. The core sector accounts for 40.27 per cent of the IIP.

"IIP growth can be in the range of 0-1 per cent as consumer goods are likely to remain upbeat for this month, given the festival season factor," Madan Sabnavis, chief economist at CARE Ratings, said.

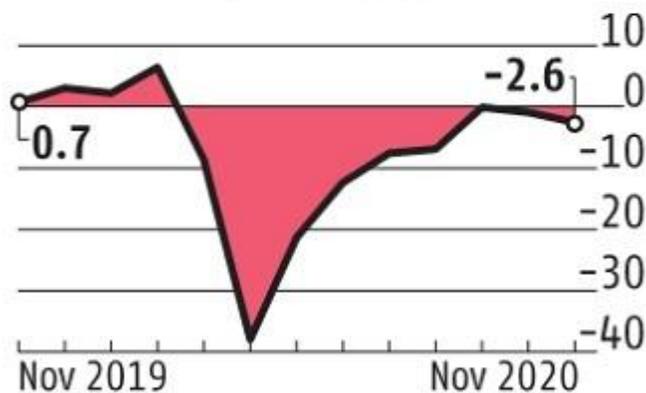
Aditi Nayar, principal economist at ICRA, projected the IIP to contract in November. "Based on the available information, we expect the IIP to revert to a temporary but unpalatable 2-5 per cent contraction in November," she said. That would be quite a dampener, as the IIP rose 3.6 per cent in October.

Nayar attributed the core sector contraction to the base effect, fewer working days on account of a shift in the festive calendar, and a potential step-down in production following the satiation of pent-up demand.



HOVERING IN NEGATIVE ZONE

Core sector growth (%)



Source: Commerce & industry ministry

Core sector output declined for the ninth consecutive month.

Barring coal, fertiliser, and electricity, all the other sectors -- crude oil, natural gas, refinery products, steel, and cement -- saw a fall in output in November. Only three sectors -- crude oil, natural gas and refinery products -- had contracted in October.

Core sector output dropped by 11.4 per cent during the first eight months of the current financial year as compared to growth of 0.3 per cent in the same period of the previous year.

The output of crude oil, natural gas, refinery products, steel and cement declined by 4.9 per cent, 9.3 per cent, 4.8 per cent, 4.4 per cent, and 7.1 per cent, respectively, in November. On the other hand, coal and electricity sector output grew by 2.9 per cent and 2.2 per cent during the month under review. Fertiliser sector growth stood at 1.6 per cent as against 6.3 per cent in October.

India's economy shrank an unprecedented 23.9 per cent in the first quarter and 7.5 per cent in the second quarter of the current financial year.