

## Economy

# Five of eight core sectors contract in November

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India's key infrastructure sectors contracted for the ninth consecutive month in November, posting a steeper decline of 2.6 per cent year-on-year (YoY) than the contraction of 0.9 per cent in October. Five of the eight core industries' output saw a contraction last month.

The latest performance was disappointing as it belied expectations of a turnaround following September 2020 data showing an improvement to (-)0.1 per cent. The only good news is that the August performance has been revised substantially to a lower level of contraction of 6.9 per cent against the 8.5 per cent announced earlier.

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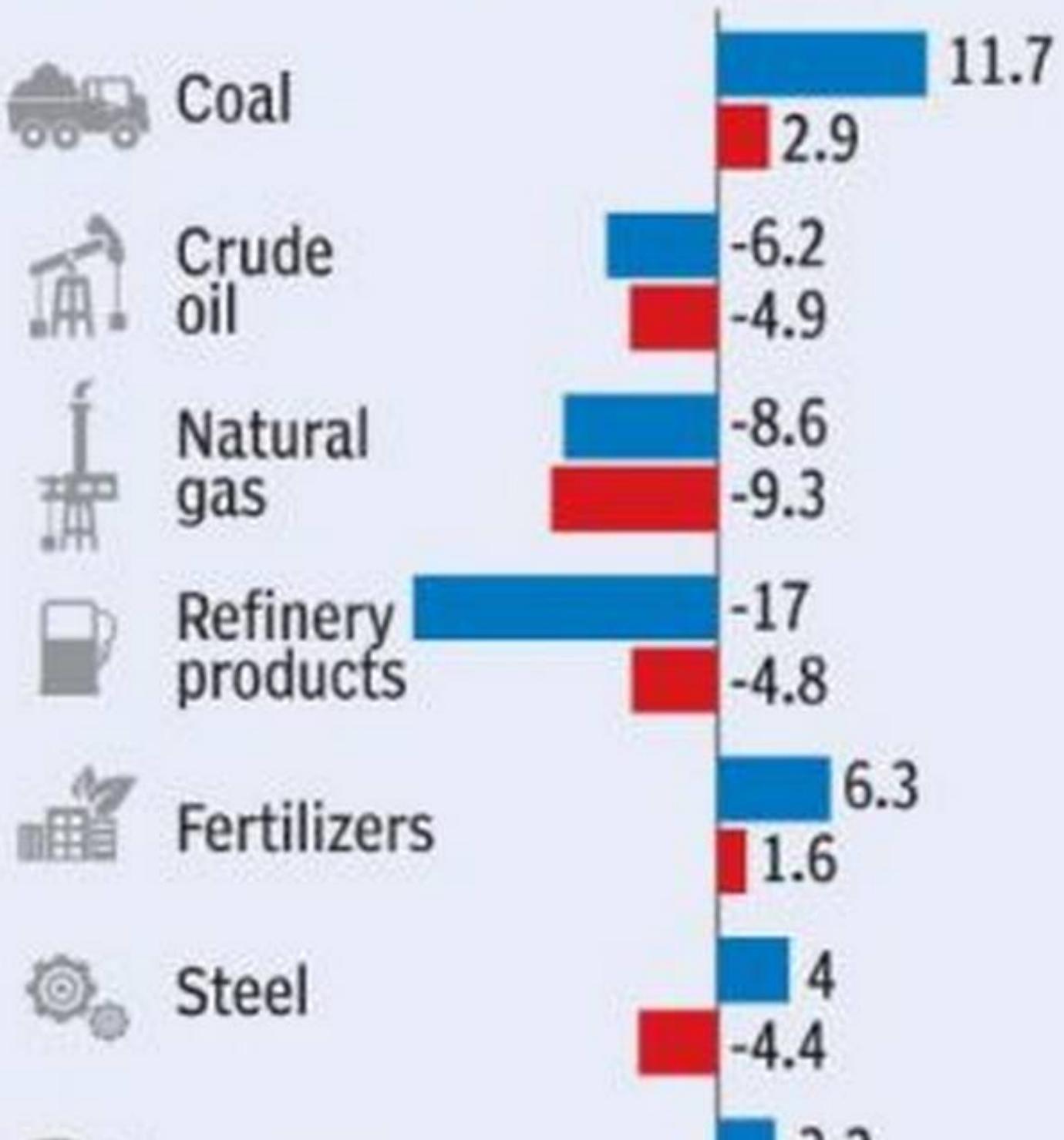
The November performance was weighed down by a fall in the production of crude oil, natural gas, refinery products, cement and steel. The performance of crude oil and refinery products was better than in October.

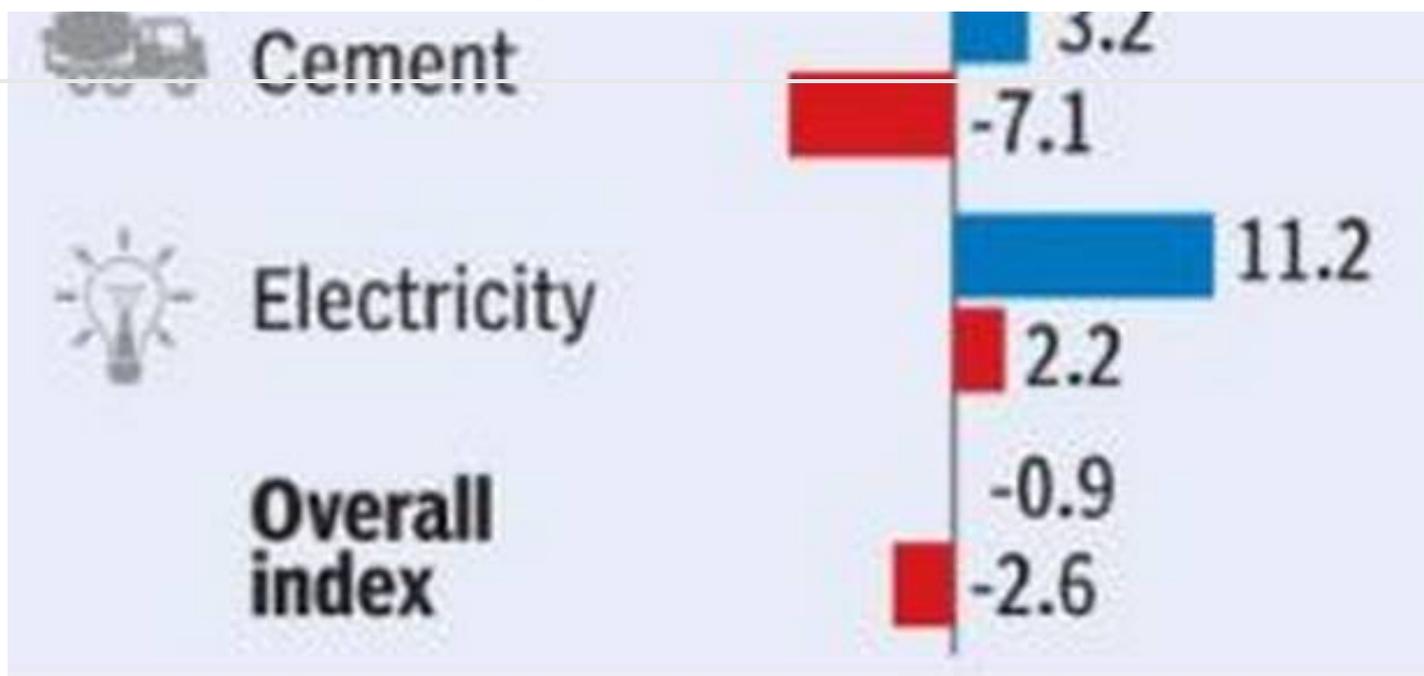
The remaining sectors posted an increase in production in November, with coal at 2.9 per cent, fertiliser at 1.6 per cent, and electricity at 2.2 per cent, as per figures released by the Department for Promotion of Investment and Internal Trade (DPIIT). Madan Sabnavis, Chief Economist, CARE Ratings, said the core sector growth was disappointing for the second successive month, with a decline of 2.6 per cent on top of a decline of 0.9 per cent in October.

# Disappointing show

Sector-wise growth rate (%)

■ October 2020 ■ November 2020





Sabnavis highlighted that the oil segments of crude oil, refinery products and natural gas have witnessed negative growth rates which reflects again lower demand conditions as well as exports. The decline in growth in steel and cement to the negative zone blunts to a large extent the hopes of a revival in the manufacturing and infrastructure spaces. Coal and electricity have witnessed positive growth rates which are interlinked to overall economic activity, he said.

Aditi Nayar, Principal Economist, ICRA said that the performance of the core sectors — partly reflecting the unfavourable base effect— deteriorated in November 2020 relative to the previous month, led by a broad based downtrend in six of the eight constituents, except refinery products and crude oil.

“Based on the available information, we expect the IIP to revert to a temporary but unpalatable 2-5% contraction in November 2020”, she said.

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