

ECONOMY

Industrial output growth inches up to 1.7% in February 2022

The Hindu Bureau

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Manufacturing shrinks 5.5% from January; consumer goods take a hit



India's industrial recovery from the pandemic remained tepid with a 1.7% growth in output in February, up slightly from the revised estimate of 1.46% recorded in January, with manufacturing activity continuing to falter.

The February Index of Industrial Production (IIP) numbers released by the National Statistical Office, are relative to a low base from February 2021 when industrial production contracted 3.2%.

Manufacturing sector output growth slowed further from 1.3% in January to a mere 0.8% in February on a year-on-year basis. Manufacturing had shrunk 3.4% in the same month a year ago. On a month-on-month basis, however, output shrank for the second month in a row, contracting by a sharp 5.5% in February over January.

Mining output rose 4.5% in February 2022, from a 4.4% contraction in February 2021, while electricity generation grew 4.5% compared to a 0.1% uptick last year. Both sectors' production was however, lower than January, by 1.2% and 2.9%, respectively. The overall IIP was 4.7% lower in February, compared to January 2022.

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“The concerning aspect is that on a sequential basis there has been a contraction in the manufacturing sector, with both consumer durables and non-durables shrinking too, showing that consumption remains a worry,” said CARE Ratings chief economist Rajani Sinha. The manufacturing sector will further feel the pinch of rising raw material prices and supply bottlenecks, while escalating inflationary pressure will dampen already weak consumer sentiments, she noted.

**Retail inflation
shoots to 6.95%
in March 2022**

Rating agency ICRA also termed the February IIP reading ‘below expectations’ and lagging core sectors’ performance, as non-core index components like consumer goods disappointed.

“The 8.2% contraction in consumer durables can be attributed partly to a high base and the restrictions in the early part of February, but consumer non-durables also displayed a discouraging 5.5% degrowth,” its chief economist Aditi Nayar said.

Though ICRA expects IIP growth to scale up to between 3% and 5% in March, the outlook is not bright for sectors like automobiles, that are dependent on key raw materials provided by war-torn Russia or Ukraine and China, in the midst of fresh COVID-19 lockdowns.