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Core sector picks up sequentially; registers double digit growth in March

A coal shortage could aggravate power cuts in many states, leading to economic growth losing momentum.

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Asit Ranjan Mishra | New Delhi
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Growth in eight infrastructure sectors saw robust recovery in March, expanding in double-digits sequentially at 14.4 percent despite geopolitical tensions. However, annual [core sector growth](#) compared to the same month a year ago eased to 4.3 percent in March due to an unfavourable base effect.

Data released by the industry department showed that except coal (-0.1 per cent) and crude oil (-3.4 percent), other six infra sectors registered robust annual growth in March with fertiliser production (15.3 percent) growing in double digits.

However, a coal shortage could aggravate power cuts in many states, putting upward pressure on electricity costs and diverting supplies away from industrial activities, thus hampering growth momentum.

Rating agency ICRA in a report said notwithstanding the ongoing geopolitical tensions and renewed lockdowns in China, economic activity in India witnessed a broad-based recovery in March, with 12 of the 16 high frequency indicators improving sequentially. These include the generation of GST, e-way bills, electricity generation, finished steel consumption, motorcycle production, ports cargo and rail freight traffic, domestic airlines' passenger

traffic, vehicle registrations, as well as aggregate deposits and non-food credit of scheduled commercial banks.

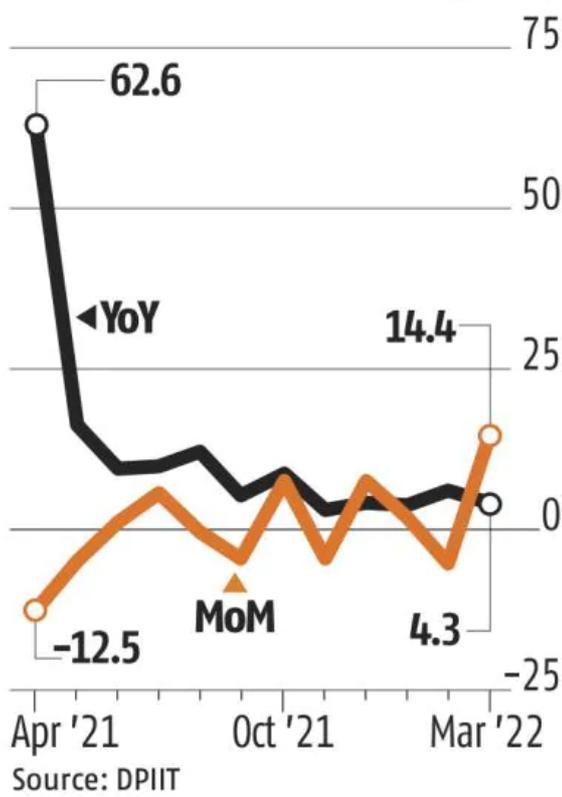
"The bounce back in fertilizers by 15.3 percent may be attributed to a decline of 5 percent last year as companies gear up for re-stocking in preparation for kharif. Also the rise in prices of fertilizers post the (Russia-Ukraine) war has helped in providing incentive to producers. We may expect growth in IIP (index of industrial production) this month to be around 2.5-3 percent. Higher inflation with fuel prices being increased, would come in the way of revival of consumption," said Madan Sabnavis, chief economist at Bank of Baroda.

Rajani Sinha, chief economist at Care Ratings, said overall economic outlook has been subdued by the soaring raw material prices in international markets that could pressurise profit margins for domestic producers and constrain private sector investment. "Having said that, coal and electricity sectors are expected to exhibit healthy growth in coming months owing to growing power demand due to overall pick-up in commercial activities. Government's focus on infrastructure spending and rising housing demand will bode well for sectors such as steel and cement, while the fertiliser sector will gain from the recently announced subsidy support by the Central government ahead of Kharif sowing season," she said.

Early data for April paints a mixed picture. With the onset of summer season, the year-on-year growth in electricity demand rose to 9.7 percent in

ROBUST RECOVERY

Core sector (in %)



April 1-16 from 5.9 percent in March. However, the increase in retail fuel prices has dented the consumption levels, in sequential terms, in the first half of April.

The Russian invasion of Ukraine has put upward pressure on food and commodity prices, forcing the RBI to reassess its accommodative policy stance. In its latest monetary policy review, the central bank kept key policy rates unchanged but signalled that it would now prioritise keeping inflation in check over incentivising growth.

The Reserve Bank of India revised downwards its growth projection for FY23 to 7.2 per cent from 7.8 percent while raising its inflation forecast for the year to 5.7 per cent from 4.5 per cent, assuming crude oil prices at \$100 per barrel. The World Bank also earlier this month slashed its FY23 growth forecast for India to 8 per cent from 8.7 per cent estimated in January, citing tepid recovery in consumption demand and escalating uncertainties due to the Russian invasion of Ukraine.

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Digital Editor

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