

ector shrinking since March

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India's eight core industry sectors shrank just 0.8% in September on a year-on-year basis, recording their lowest contraction since March 2020, with electricity and steel output clocking positive growth for the first time since March, and coal production rising for the second month in a row.

Cement output improved in September, recording a 3.5% year-on-year drop – the lowest since March when production had collapsed 25.1%. Surprisingly, fertiliser production which had grown consistently from May to August, marginally contracted in September by 0.3%.

The Office of the Economic Adviser in the Department for Promotion of Industry and Internal Trade, which compiles the Index of Eight Core Industries, also revised its earlier estimates for June and August.

“The final growth rate of Index of Eight Core Industries for June 2020 is revised to (-) 12.4 %,” said an official statement released on Thursday. Earlier, output was estimated to have declined by 15% in June. Similarly, August had recorded a 8.5% dip in the index as per earlier estimates, which has now been moderated to a 7.3% decline.

Consequently, output contraction from the core sectors, which account for little over 40% of the Index of Industrial Production, stood at 14.9% in the first half of 2020-21, recovering slightly from the 17.8% decline recorded by August.

“While many lead indicators have displayed signals of a strengthening economic recovery in September 2020, we caution that the sustainability of the upturn may not be universal, and await signs of its durability,” said Aditi Nayar, principal economist at ICRA Ratings.

September’s improvement in core sector numbers is also attributable to the effect of a lower base, as the index had recorded negative growth of 5.1% in September 2019, with coal, steel and electricity clocking output contractions.

Coal output which had shrunk in September 2019 by 20.9%, has reported 21.2% growth in September 2020. Steel production grew by 0.9% in September 2020, compared to a 1.4% contraction a year ago. Electricity output similarly grew 3.7%, vis-a-vis a 2.6% decline recorded in September 2019.

Production of natural gas (-10.6%), crude oil (-6%) and refinery products (-9.5%) continued to fall in September, indicating these sectors are yet to recover from the demand shock that followed the national lockdown imposed in late March.

Natural gas output fell for the sixteenth month in a row, crude oil fell for the 34th successive month and refinery products recorded their seventh month of contraction, as per a CARE Ratings note on Thursday's data.

“The sharp improvement in the core sector output is encouraging and collates well with the higher consumer spending seen in early October. A low base effect in the next month and the further unlocking of the economy is likely to push this growth into positive territory in the next month. The negative growth in the oil segment will further narrow in the coming months as the unlock process becomes more prevalent in the country,” the firm noted.

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<https://www.thehindu.com/business/Industry/eight-core-industries-output-contracts-08-in-september/article32973000.ece>

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