

Growth of core sector output recovers to 3-month high

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Production of eight infrastructure industries that comprise the core sector recovered to grow at 7.9 per cent in September — a three-month high — owing to a favourable base and double-digit growth in output of fertilisers, cement, and electricity.

The data released by the industry department showed output growth of coal (12 per cent), steel (6.7 per cent), electricity (11 per cent), and cement (12.1 per cent) accelerated compared to the preceding month. However, the output growth of refinery products (6.6 per cent) and fertilisers (11.8 per cent) decelerated. Crude oil (-2.3 per cent) and natural gas (-1.7 per cent) production contracted for the fourth and third consecutive months, respectively.

The cumulative growth of the core sector in the first half of FY23 (April-September) was recorded at 9.6 per cent, significantly lower than the 16.9 per cent recorded in the same period last year.

Trade Minister Piyush Goyal expressed his appreciation for the growth in the core industries in a Twitter post. “A reason why India is being called a global bright spot is the strength of its core industries (as eight core industries registered a growth of 10 per cent in April-September 2022 over the corresponding period last year),” Goyal tweeted.

Madan Sabnavis, chief economist at Bank of Baroda, said the recovery in September was a result of higher capex by the Centre as both the steel and cement registered high growth while demand for the upcoming rabi-sowing season boosted fertiliser production. “Leaving out the oil and natural gas industries, growth was impressive in the other six sectors. Based on growth of 7.9 per cent in September, we may expect growth in the region of 4-5 per cent in (the upcoming) Index of Industrial Production (IIP),” he added.

Aditi Nayar, chief economist at ICRA, shared a similar positive sentiment regarding the upcoming IIP. “With the core sector growth improving to 7.9 per cent in September and a surge in GST e-way bills prior to the festive season, we expect the IIP to revert to a modest 4-6 per cent rise in that month, from the unexpected contraction in August,” she said.

The International Monetary Fund (IMF), in its latest World Economic Outlook report cut its forecast for India’s gross domestic product (GDP) growth for FY23 by 60 basis points (bps) to 6.8 per cent, warning of a long and tough economic winter.

“The outlook for India is for growth of 6.8 per cent in 2022, a 0.6 percentage point downgrade since the July forecast, reflecting a weaker-than-expected outturn in the second quarter (April-June) and more subdued external demand,” the IMF said last month.

The RBI last month also revised its growth forecast for FY23 to 7 per cent from 7.2 per cent.

“The headwinds from extended geopolitical tension, tightening global financial conditions and possible decline in the external component of aggregate demand can pose downside risks to growth,” RBI Governor Shaktikanta Das said last month in his last policy statement.

THE TRAJECTORY

