Core sectors grew 8.9% in June

Output at the eight infrastructure industries still lags pre-pandemic, April's levels

SPECIAL CORRESPONDENT
NEW DELHI

Output at India's eight core sectors grew by 8.9% in June but the pace remained below the production levels seen before the COVID-19 pandemic as well as its second wave this year, indicating the economy's recovery remains uneven.

Crude oil was the only component whose output shrank from a year earlier in the June Index of Eight Core Industries released by the Commerce and Industry Ministry on Friday, contracting 1.8%. Natural gas and steel both posted growth of more than 20%, while cement, coal, electricity, petroleum and fertilisers recorded moderate expansions in the range of 2% to 7.4%.

The core sectors had expanded by 60.3% in April and by 16.3% in May, thanks to the base effect linked to the sharp contraction in output last year due to the national lockdown. The government also revised the March index, pegging growth in that month at 12.6% from an earlier estimate of 6.8%.

Bolstering output: Natural gas and steel both posted year-on-year growth of more than 20%. ▪ FILE PHOTO

CARE Ratings chief economist Madan Sabnavis said June's core sector data had "once again been influenced by the negative base effect syndrome" which would continue to dominate most economic data.

"Despite the gradual unlocking after the second wave, the sequential uptick in the overall core index in June was mild at just 1.1%, with double-digit increases in cement and fertilisers, dampened by a month-on-month decline in petroleum refinery products and coal," ICRA chief economist Aditi Nayar said in a note.

'Incomplete recovery'

Stressing that core sectors' output was 4.7% lower than the pre-COVID level of June 2019, and also lower than the April print, Ms. Nayar said this was consistent with "the picture of an incomplete recovery" suggested by other high-frequency indicators.

The index of industrial production (IIP), in which core sector output weighs in at 40%, could grow at 12%-17% in June, the ICRA economist reckoned, while Mr. Sabnavis projected a 15%-20% increase.