At 18.1%, output growth of 8 core industries at 13-month high in May

Coal, fertiliser, electricity and cement sectors put up good show

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Reflecting a rebound in economic activity and aided by good show from coal, fertiliser, electricity and cement sectors, the output growth of eight core industries hit a 13-month high of 18.1 per cent in May 2022.

The latest output growth print was higher than the 16.4 per cent growth in May 2021 and the revised 9.3 per cent growth recorded in April 2022.

For the first time in several months, all eight core industries' output growth on a year-on-year basis remained in positive territory. The eight industries that saw positive growth rate in April are: coal (25.1 per cent); crude oil (4.6 per cent); natural gas (7 per cent); refinery products (16.7 per cent); fertilisers (22.8 per cent); cement (26.3 per cent); and electricity (22 per cent). The y-o-y growth in electricity generation doubled to 22 per cent in May from 11.8 per cent in April, echoing the rise in demand stemming from heat wave conditions in parts of North-West and Central India, as well as some pick-up from commercial and industrial establishments.

The eight core industries have a weightage of 40.27 per cent in the index of industrial production (IIP).

Meanwhile, the Commerce and Industry Ministry has revised upwards the final growth rate of core industries for February to 5.9 per cent from the provisional level of 5.8 per cent. The growth rate of ICI during April-May 2022-23 was 13.6 per cent, compared to the corresponding period in the last financial year. Last month, the growth output of core industries for January was revised upwards. The core output for December 2021 was earlier revised upwards to 4.1 per cent from its provisional level of 3.8 per cent.

Aditi Nayar, Chief Economist, ICRA, said the core sector growth for May printed at a robust but optically misleading 18 per cent, boosted by the low base of the second wave of Covid-19, and coming in at the lower end of ICRA's expectations range of 18-20 per cent.

The disaggregated data showed a broad-based improvement in the y-o-y growth, benefiting from the low base, with the exception of coal, which nevertheless continued to record a high growth, she added.

Compared to the pre-Covid level, the core index reported a growth of 8.1 per cent in May, led by all constituents, except crude oil. Enthusingly, fertiliser, coal, cement and electricity output displayed a double-digit expansion in May 2022 over the May 2019 levels, said Nayar.

“We expect the IIP to expand by 16-19 per cent in May, benefiting from the high growth in the core sector as well as various other high-frequency indicators,” she said.

Oil output

India Ratings' Sunil Kumar Sinha and Paras Jasrai said the support to growth was fairly broad-based, as except for crude oil, production in other core sectors recorded robust growth. Even crude oil output witnessed a positive growth of 4.6 per cent y-o-y after a gap of 53 months.

“Positive crude oil production is good news at a time when the country is facing headwinds due to elevated global crude oil price and its related ramifications on the economy,” said the note.

Notably, output growth in cement, electricity petroleum and refinery products and steel were on a high base, and are at 9-month, 13-month and 13-month and 11-month high, respectively. Robust growth in the cement and steel sector indicates a pick-up in the construction sector, which is the second-largest employment provider after agriculture.