

CORE SECTOR GROWTH MODERATES TO 3.7%, CEMENT EXPANDS 13.6%

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Industry & Services Sector incl. MSMEs and PSUs

Muted outlook: The Index of Industrial Production is likely to grow about 1% in January, says Aditi Nayar of ICRA. Reuters | Photo Credit: RUPAK DE CHOWDHURI

India's output from all eight core infrastructure sectors surpassed pre-pandemic production levels this January, even as the pace of growth slowed marginally to 3.7% from a 4.1% uptick recorded in December 2021.

Crude oil output continued to dip for the 50th month in a row, dropping 2.4% year-on-year in January, even as fertilizer production entered contractionary mode with a 2% dip from January 2021 levels.

"Sequentially, output of the eight core sectors expanded moderately by 2% in January 2022 compared with a robust growth of 7.3% in December 2021... there was a broad-based moderation in momentum across sectors with natural gas and fertilisers too contracting sequentially," Care Ratings economists said in a note.

Steel output recovered into growth territory from a 1% contraction in December, rising 2.8% in January, while cement output recorded robust positive growth for the second month in a row at 13.6% in January, after a drop in November 2021.

Although the 3.7% growth suggests muted impact of the third COVID-19 wave, ICRA chief economist Aditi Nayar said the disaggregated trend is 'slightly less encouraging', with all the sectors except coal and steel recording a slowdown in the year-on-year performance in January relative to the previous month.

"We expect the Index of Industrial Production (IIP) to grow at around 1% in January 2022 from the initial growth estimate of 0.4% for December 2021," Ms. Nayar said.

The core sectors account for 40.27% of the IIP. Coal production grew 8.2% in January, while petroleum refinery output rose 3.7%.

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