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● DOUBLE WHAMMY

IIP contracts 1.6% in Jan, retail inflation rises to 5.03% in Feb

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IN A DOUBLE whammy for the economy, industrial production growth re-entered the negative territory by contracting by 1.6% in January, while retail inflation soared to a three-month high of 5.03% in February on costlier food items.

The National Statistical Office (NSO) in the ministry of statistics and programme implementation (MoSPI) released the Quick Estimates of Index of Industrial Production (IIP) for January 2021 and Consumer Price Index (CPI) numbers for February 2021 on Friday evening.

As per the data, the contraction in the IIP in January was mainly on account of a decline in output of capital goods, manufacturing and mining sectors.

The output of the manufacturing sector, which accounts for 77.6% of the IIP, contracted by 2% during the month under review, as against a growth of 1.8% during the corresponding month last fiscal.

The worst performance



was witnessed in the capital goods sector which showed a contraction of 9.6% during January over a decline of 4.4% during the same month in the previous fiscal.

NSO also revised upwardly the IIP number for December 2020 to 1.56% from the earlier estimate of 1%.

The factory output growth was in the negative territory in November 2020. It had posted an increase during September and October 2020.

Meanwhile, retail infla-

tion rose to 5.03% in February mainly on account of higher food prices.

The consumer price index (CPI) based retail inflation was at 4.06% in January. The earlier high was in November 2020 at 6.93%.

The rate of price rise in the food basket accelerated to 3.87% in February, as against 1.89% in the preceding month, as per the NSO data.

Inflation in 'fuel and light' category remained elevated at 3.53% during the month vis-a-vis 3.87% in January.

The inflation print in 'oil and fats' moved up to 20.78% from 19.71%.

For fruits, it grew to 6.28% from 4.96%. In vegetables, the rate of deflation was softer at (-) 6.27% against (-) 15.84% in the preceding month.

Among others, milk and products, pulses and products, and eggs had inflation prints at 2.59%, 12.54% and 11.13%, respectively. The corresponding rates were 2.73%, 13.39% and 12.85% in January.

"While we had anticipated a deterioration in the IIP's performance in January 2021, we didn't expect it to revert to a contraction in that month.

"The disaggregated data doesn't provide any heartening takeaways either, with three of the six use-based categories displaying a contraction, and the other three eking out a sub-1% growth," ICRA Principal Economist Aditi Nayar said.

M Govinda Rao, Chief Economic Adviser, Brickwork Ratings, said the contraction in IIP numbers for January comes as a bit of surprise after turning positive in December.