

Saturday 13th March, 2021

IIP Contracts, Retail Inflation Jumps

Recovery at risk from surge in Covid cases; rising inflation could stoke concerns of bond yield spike

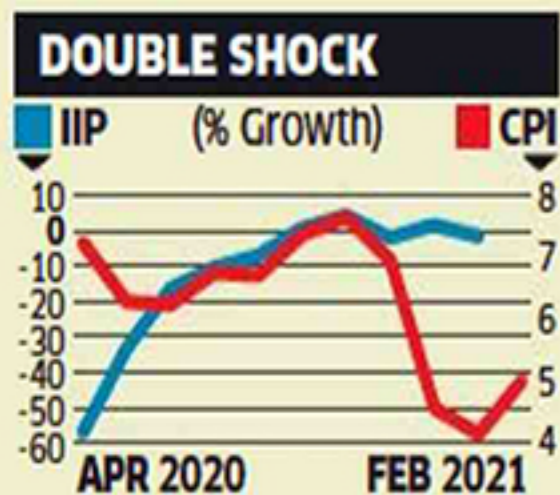
Our Bureau

New Delhi: Industrial production contracted unexpectedly in January after posting modest growth in the month before, data released by the government showed, underlining the fragile recovery that could be at risk from rising Covid-19 infections in key states.

Meanwhile, separately released data showed retail inflation accelerated more than expected to a three-month high of 5.03% in February, which could stoke con-

cerns of a further rise in bond yields and higher market interest rates. Industrial production contracted 1.6% in January against a 1.5% rise in December and 2.2% expansion in January last year, data released by the statistics office on Friday showed, with most key sectors reporting declines from a year ago.

“The contraction in IIP (index of industrial production) numbers at -1.6% for January comes as a bit of surprise after turning positive in December,” said M Govinda Rao, chief economic adviser, Brickwork Ratings.



PRICE PAIN

Retail Inflation at 3-mth high

Fruit, cereals push food inflation higher

Fuel, transport pain points

Monetary stance change unlikely soon

Rate cuts unlikely

unless fuel taxes cut

IIP Jan (Growth %)

Manufacturing	-2
Mining	-3.7
Electricity	5.5
Primary goods	0.2
Capital goods	-9.6
Intermediate goods	0.5
Construction goods	0.3
Consumer durables	-0.2
Consumer non-durables	-6.8

Investment, rural demand stressed

Vaccine rollout driven consumption rebound uncertain

Caution warranted over Covid-19 case rise, movement curbs