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# Core sector output grows 6.8% in March on low base

By Asit Ranjan Mishra, New Delhi | PUBLISHED ON MAY 01, 2021 12:02 AM IST

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Overall, the core sector contracted 7% in 2020-21 against the 0.4% growth in the preceding year.(PTI)

The output of eight infrastructure sectors grew at 6.8% in March—a 32-month high— as a result of the low base of last year, giving a false sense of normalcy. This comes against the backdrop of a raging Covid-19 pandemic and slow vaccinations, threatening to delay any meaningful revival in Asia's third-largest economy.

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However, that of natural gas (12.3%), steel (23%), cement (32.5%), and electricity (21.6%) expanded in double digits. Overall, the core sector contracted 7% in 2020-21 against the 0.4% growth in the preceding year.

March, April, and May growth numbers for core sector and industrial growth were expected to be high and misleading, as they come on the back of sharp declines registered last year, said Madan Sabnavis, chief economist at Care Ratings. "March was just the beginning of the lockdown, which pushed back economic activity after which there were sharper declines. Hence, the core sector growth of 6.8% in March must be interpreted with caution and this will be the theme in the next two months, too," he said.

A spurt in coronavirus cases impacted consumer sentiment and forced the government to impose a nationwide lockdown in March last year. This led to economic growth collapsing to a 23.9% in the June quarter, with the core sector contracting for six consecutive months from March to August 2020. The Indian economy plunged into its deepest recession in FY21 in more than 40 years, contracting 8%, as the first wave of the pandemic took a heavy toll on both services and manufacturing activity with massive job losses.

Aditi Nayar, chief economist at Icra Ltd said the pace of expansion was weaker than her forecast of a 10% expansion, with a surprisingly sharp contraction in coal, and milder de-growth in fertilizers, crude oil, and petroleum products.

"The low base of the lockdown would push up the expansion of the index of eight core industries to a sharp 50-70% in April 2021, with exceptionally high growth expected in cement and steel. However, we have observed a slackening in the sequential momentum in April 2021 in electricity demand, vehicle registrations, and generation of goods and services tax e-way bills, revealing the impact of the recent surge in Covid infections and localised restrictions. Based on the available data, we project the Index of Industrial Production to record a sharp growth of 17.5-25% in March," she said.

The second wave, which accelerated in April, is expected to have less impact, but the expectation of double-digit growth despite a favourable base effect is quickly fading.

**Brickwork Ratings on Tuesday revised its 2021-22 economic growth projection for India to 9% from 11% estimated earlier, holding that the earlier presumptions of a V-shaped economic recovery are unlikely as the deadly second wave of Covid-19 has abruptly halted India's nascent economic recovery from the pandemic**.

**S&P earlier this week said a drawn-out pandemic with daily cases setting new records will impede India's economic recovery. "This may prompt us to revise our base-case assumption of 11% growth over fiscal 2021/2022, particularly if the government is forced to reimpose broad containment measures," it said.**