BUSINESSThird Covid wave jitters: Core sector growth slows to 9-month low in Nov

Published 18 seconds ago on January 1, 2022By Press24 News

Growth in eight infrastructure sectors dipped to a nine-month low at 3.1 per cent in November because most of them saw a decline in activity amid fear that the impending third wave of the pandemic might further erode the momentum in early months of 2022.

The data released by the industry department showed only fertiliser output recorded a sequential pickup in growth (2.5 per cent) in November while cement production turned negative (-3.2 per cent) after a gap of 10 months.

Growth in the output in all other sectors such as coal, crude oil, natural gas, refinery products, steel, and electricity dipped sequentially.

Aditi Nayar, chief economist at ICRA Ratings, said the lower-than-expected core sector print added further evidence that the momentum slackened after the festive season amid supply disruption in parts of Southern India owing to heavy rain.

“With considerable moderation in core sector growth and the sequential decline in GST e-way bills, we expect growth in the index of industrial production (IIP) to flatten to under 2.5 per cent in November 2021, in spite of the low base (-1.6 per cent) in November 2020,” she added.

The World Bank and Moody’s have projected the Indian economy to grow at 8.3 per cent and 9.3 per cent, respectively. ICRA Ltd earlier this week retained its 9 per cent growth forecast for FY22. The Reserve Bank of India (RBI) has retained its projection of 9.5 per cent annual GDP growth in FY22 although it has revised downwards its December-quarter growth estimate to 6.6 per cent from 6.8 per cent, and the March-quarter growth estimate to 6 per cent from 6.1 per cent. The Indian economy expanded 8.4 per cent in the September quarter, surpassing its pre-pandemic size, as vaccination picked up pace and services activity returned to normal after the disruption caused by the devastating second wave of the pandemic in the June quarter.

Separately, the data released by the Controller General of Accounts showed the government exhausted only 46.2 per cent of its full-year fiscal deficit target in the first eight months of the year till November, the lowest in 11 years, due to robust growth in tax revenue.

India Ratings Chief Economist Devendra Kumar Pant said despite the weak disinvestment performance, he believes the fiscal deficit in FY22 to be 6.6 per cent of GDP, lower than the Budget estimate of 6.8 per cent.

“Despite excise duty cuts on petrol and diesel in November, gross tax revenue grew 18.2 per cent in November and 50.3 per cent in the April-November period. Net tax collection in November, however, declined by 18.6 per cent due to a doubling of the states’ share in central taxes to Rs 95,082 crore during the month,” Pant added.

However, M Govinda Rao, chief economic adviser at Brickwork Ratings, said given the additional burden of the supplementary demand

for grants and the likelihood of the government missing the disinvestment target, the chances of the government missing its fiscal deficit target could not be ruled out.

“We expect the fiscal deficit to marginally breach the budgeted 6.8 per cent of GDP and reach 7 per cent,” he added.

The government got approval from Parliament to spend an additional Rs 3 trillion through a supplementary demand for grants during the winter session. This includes an additional outlay on the Mahatma Gandhi National Rural Employment Guarantee Act, increased fertiliser subsidies, additional food subsidies and additional export incentives, and to clear the Air India debt.