Core’s contraction: On slowing economy

Context

# Output in the eight core industries suffered an overall contraction for a third straight month in May, shrinking 23.4%, as the pandemic-induced lockdown kept large parts of the economy shuttered, the Commerce Ministry’s provisional figures show.

Core Sector Data

# Of the eight, all but one posted declines in production compared with a year earlier, with six sectors witnessing double-digit drops.

# Except fertilizers, all other sectors have shown decline.

# Steel and cement were the worst hit, slumping 48.4% and 22.2%, respectively, as construction activity and infrastructure projects remained mostly stalled.

# Refinery products, with the largest weight in the index contributing 28%, contracted 21.3% as the curbs on vehicular movement stymied demand for automobile fuels.

# And crude oil and natural gas continued their slide adding to the problems dogging India’s hydrocarbon exploration and production industry.

# Coal production also fell for a second straight month, declining 14%, as the lack of demand for electricity from the nation’s factories depressed power production as well as the need for the key thermal plant fuel.

# Output of electricity fell 15.6%, a slight improvement from April’s 23% slump, aided by the partial easing of restrictions and peak summer consumption by households.

# The only silver lining came from the fertilizer industry, as production rose 7.5% reversing the slump seen in the preceding two months and signalling robust activity in the agricultural sector at the start of the kharif season.

# A promising and early start to this year’s monsoon bodes well for the crucial farm income-dependent rural economy.

# The above average quantity and improved spatial distribution of rainfall in June
have spurred a **sharp jump in kharif sowing**, with the area sown as on June 26 more than doubling compared with a year earlier to 315.6 lakh hectares.

# Also, there is a **danger to the farm sector**, especially in western, central and northern India this year from **locust swarms**.

# The **Food and Agriculture Organization** had in its June 27 update **warned that India** would need to remain **on high alert** through July for the **possible arrival of swarms from northern Africa**.

# The **latest PMI data** from researcher IHS Markit also paints a **less than promising outlook for manufacturing**, which contracted again in June albeit at a softer pace.