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.