Retail inflation quickens to 5.52%

Industrial output shrinks 3.6%; 'we are far from seeing sustained recovery, need government support'

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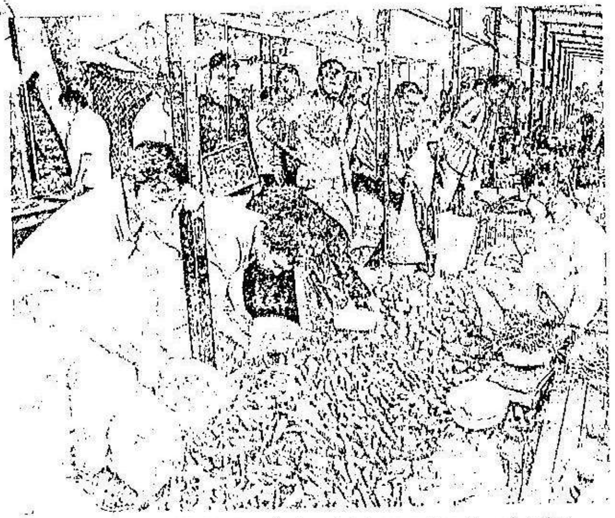
India's industrial output fell for the second successive month in February 2021, contracting 3.6% year on year, even as retail inflation quickened to a four-month high of 5.52% in March, as per data released by the National Statistical Office on Monday.

Electricity was the only sector to register positive growth of a meagre 0.1%, while manufacturing output shrank 3.7% and mining slipped 5.5%, as per the Index of Industrial Production (IIP).



Base effect: Food inflation helped drive up the March print, partly spurred by lower prices a year earlier. ▪ NAGARA GOPAL

Revised data

The IIP had contracted 0.87% in January, as per revised data, compared to a 1.6% dip estimated earlier. Final data for November 2020 was also revised upwards, with industrial output in the month shrinking 1.6% compared to a 1.9% dip estimated earlier.

The base effect played a role on both the indices, said economists, as industrial output in February 2020 had hit a 16-month high, at the time, of 5.2%, while food inflation, which played a key role in driving up the overall price rise print in March, was partly bolstered by the lower price trends last year even though food prices have declined month-on-month.

'29-month high'

"Core inflation jumped to a 29-month high of 5.96% in March 2021 from 3.95% a year ago and 5.88% in February due to demand and increase in commodity prices," said Devendra Pant, chief economist at India Ratings and Research.

Aditi Nayar, principal economist at ICRA Limited, termed the core inflation near 6% as 'unnerving' but added that the decline in prices of vegetables such as onions as well as a reversal of the base effect was expected to dampen the food inflation to around 2-2.5% in April 2021.

The IIP numbers suggest that the recovery in industrial volumes lacks conviction, she said.

'Lacklustre production'

"The trend of recent months reinforces the view that the uptick witnessed in the months of September and October-2020 was more due to a combination of festive and pent-up demand and we are still far from witnessing a sustained recovery," Mr. Pant said.

"Growth pattern of primary and intermediate goods, two leading indicators of industrial production are pointing towards a lacklustre industrial performance in the short- to medium-run," he stressed, adding that this would necessitate continued demand support from both the government as well as the Reserve Bank.