Signs of Economic Recovery

Why in news?

The Commerce Ministry has released the latest data on output at the eight core industries.

What are some data?

- Overall production at the infrastructure industries extended their year-on-year decline to a fourth straight month in June 2020.
- Of the seven industries that extended their contractions, only coal shrank at a faster pace (-15.5%) than in May.
- Refinery products shrank 8.9% marking an improvement from the 21.3% contraction seen the previous month.
- [Refinery products - Largest weight on the index contributing 28%]
- The lifting of restrictions on inter and intra-State movement of persons and goods revived vehicular movement and fuel demand.
- With personal modes of mobility preferred given the fear of infection, petroproduct consumption grew.
- Electricity output fell at a slower 11% pace than the May month's 14.8% slump.
- This signals an uptick in demand from some manufacturing clusters including in western and northern India.
- Among the other sectors, steel production continued to tumble: output shrank by more than a third (-33.8%) from June 2019.
- The cement have put the worst behind as urban construction and projects under the rural job guarantee scheme spurred demand.
- Fertilizers saw the expansion ease to 4.2%, from 7.5% in May.

What does the IMD forecast say?

- With monsoon activity above normal so far this year, kharif sowing was almost 14% higher as on July 31 than at the same time in 2019.
- The IMD is forecasting above average rainfall in August and September.
- So, the outlook for the agriculture-reliant rural economy is far more promising than for most other sectors.

What do these data reveal?

- These data shows that the pandemic-spurred economic contraction may have begun to bottom out.
- The sector-wise performance affirms that the gradual reopening since June have helped tease increase some demand in the economy.

What is the conclusion?

- To be sure, the economy is still a fair distance from a sustained turnaround with other data flagging the risks to a recovery.
- The significant shortfalls in GST collection point to the difficulties the governments are facing in garnering crucially needed revenue.
- This has already swelled the fiscal deficit at the end of the first quarter to 83% of the full year's target.
- The new infections curve showing no signs of plateauing as yet.
- So, the policymakers have the task of stemming the COVID-19 tide without dampening economic momentum.

Source: The Hindu

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