

Core sector growth slows to 6.3% in May

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Growth in the output of eight key infrastructure industries — known as the core sector — slowed to 6.3 per cent in May from 6.7 per cent in April.

The slowdown was on the back of a sequential deceleration in the output growth of six sectors during the month.

According to the data released by the ministry of commerce and industry on Friday, output decelerated in sectors like natural gas (7.5 per cent), refinery products (0.5 per cent) and steel (7.6 per cent) during May.

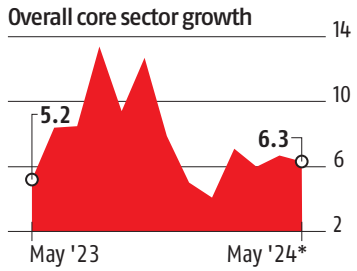
Meanwhile, the output of fertilisers (-1.7 per cent), cement (-0.8 per cent) and crude oil (-1.1 per cent) contracted during the month. However, the growth in output of coal (10.2 per cent) and electricity (12.8 per cent) accelerated in May.

In May 2023, the core sector had recorded a growth of 5.2 per cent.

Madan Sabnavis, chief economist, Bank of Baroda, said the power sector



EASING PACE



*Provisional

Sector-wise breakup for May 2024 (% Y-o-Y)

Coal	10.2	Green bar
Crude oil	-1.1	Red bar
Natural gas	7.5	Green bar
Refinery products	0.5	Green bar
Fertilizers	-1.7	Red bar
Steel	7.6	Green bar
Cement	-0.8	Red bar
Electricity	12.8	Green bar

Source: Ministry of Commerce & Industry

grew mainly due to the heat wave, which led to higher demand and higher power generation led to higher growth in mining as coal production increased.

“Cement production fell due to the strong double-digit base effect of last year. A slowdown in capex in May by the government affected some projects involving cement. Fertiliser production was down due to adequate stocks for sale during the kharif season. On the other hand, crude oil and refinery prod-

ucts witnessed low and negative growth, mainly due to lower demand for diesel,” he added.

Aditi Nayar, chief economist, ICRA Ratings, said that while core sector growth sustained above 6 per cent for the fourth consecutive month, it eased slightly. It was led by all the constituents except electricity and coal.

“A combination of factors, including the heat wave over parts of the country and the phased parliamentary elec-

tions, could have curtailed activity and execution in some sectors. At the same time, the heat wave boosted demand for power, which translated into growth for coal and electricity,” she added.

For first two months FY25, growth in the output of core industries stood at 6.5 per cent. The eight core industries account for 40.27 per cent of the weight of items included in the Index of Industrial Production (IIP). So, they have a significant impact on the index.