

# Core industries' growth skids to 20-month low of 4% in June

KR Srivats  
New Delhi

Pulled down by a high base effect despite a strong show from coal and electricity sectors, the country's eight core industries' output growth slid to a 20-month low of 4 per cent in June.

This latest reading — seen by some economists as a satisfactory growth — was lower than the core industries' growth of 8.4 per cent in June 2023 and upward revised growth of 6.4 per cent in May 2024.

For the first quarter (April-June 2024), the eight core industries output grew 5.7 per cent, lower than 6 per cent in same period last fiscal, data released by Commerce and Industry Ministry on Wednesday showed.

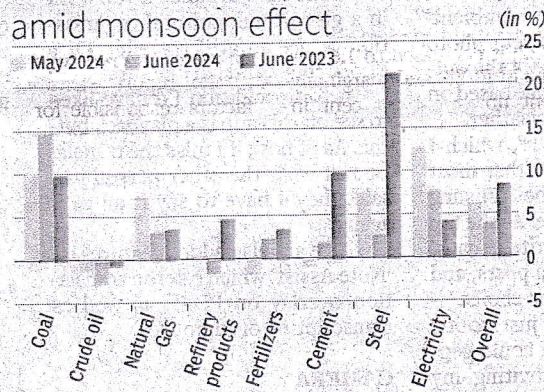
For the month under review, other than crude oil (-2.6 per cent) and refinery products (-1.5 per cent), all the other six industries recorded positive growth.

## POWER GENERATION UP

While coal sector grew by a robust 14.8 per cent (9.8 per cent in June 2023), electricity generation saw a 7.7 per cent growth (4.2 per cent in June 2023). Fertilizers output grew 2.4 per cent (3.4 per cent).

Natural gas output grew 3.3 per cent (3.5 per cent). Refinery products output contracted 1.5 per cent as against growth of 4.6 per cent in June 2023. Steel sector output came in at 2.7 per

## Growth moderation amid monsoon effect



cent (21.3 per cent in June 2023).

The eight core industries — coal, natural gas, crude oil, refinery products, fertilizers, cement, steel and electricity — comprise 40.27 per cent of the weight of items included in the Index of Industrial Production (IIP).

Meanwhile, the government has also now revised upwards the eight core industries' output growth for March 2024 to 6.3 per cent. Last month the reading for February 2024 was revised upwards to 7.1 per cent.

## EXPERTS' TAKE

Previously, the reading for January 2024 was revised upwards to 4.1 per cent. Prior to that, the reading for December 2023 was revised upward to 5 per cent.

Also, the government had revised upwards the November 2023 core industries growth to 7.9 per cent. The monthly readings for

September 2023 and October 2023 were also revised upwards in earlier months. Aditi Nayar, Chief Economist and head-Research & Outreach, ICRA, said the core sector expansion slid to a 20 month low of 4 per cent in June 2024, led by a moderation in growth or deepening contraction in five of the eight constituents, barring coal, fertilizers and cement, compared to May 2024.

With the onset of the monsoon, electricity growth reverted back to single digits after two months, while remaining healthy at 7.7 per cent.

"With the dip in the core sector growth, we expect the IIP to post a rise of 3.5-5.0 per cent in June 2024", Nayar said.

Madan Sabnavis, Chief Economist at Bank of Baroda, said the strong growth in coal can be attributed to higher demand for power.

Electricity growth at 7.7 per cent was impressive reflecting both higher business activity and higher demand from households due to the heatwave conditions in several States in the first half of the month, Sabnavis said.

Steel growth of 2.7 per cent and cement of 1.9 per cent was mainly due to high base of 21.3 per cent and 9.9 per cent, respectively, as well as muted government spending ostensibly due to the elections on capex. This will reverse and pick up in coming months, he added.

"The IIP growth for June is expected to be around 4-5 per cent," Sabnavis said.