Core sector output slowed to 8% in July

SHIVA RAJORA
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Output of eight key infrastructure sectors — known as the core sector — marginally slowed to 8 per cent in July from 8.3 per cent in June. This is due to a low base effect and positive growth in all the eight sectors during the month. In July last year, the core sector had grown by 4.8 per cent.

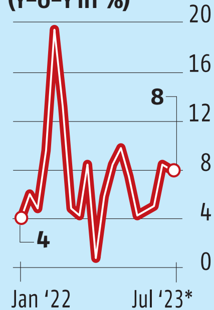
The print for June 2023 was also revised slightly upwards to 8.3 per cent from 8.2 per cent estimated earlier.

According to data released by the Ministry of Commerce and Industry on Thursday, while growth in the output of fertiliser (3.3 per cent), steel (13.5 per cent), refinery products (3.6 per cent), and cement (7.1 per cent) slowed than the previous month, that of coal (14.9 per cent), natural gas (8.9 per cent), and electricity (6.9 per cent) accelerated in July.

Crude oil production saw positive growth (2.1 per cent) for the first time in 14 months since May 2022.

WHAT THE NUMBERS SAY

Core growth (Y-o-Y in %)



Sectoral growth in July* Y-o-Y (%)

Coal	14.9
Crude oil	2.1
Natural gas	8.9
Refinery products	3.6
Fertilisers	3.3
Steel	13.5
Cement	7.1
Electricity	6.9

*Provisional

Source: Ministry of Commerce and Industry

Madan Sabnavis, chief economist at Bank of Baroda, said most of the core sectors showed buoyancy in July with coal production remaining buoyant, along with power generation, which reflects both steady business activity and use of diesel generator sets for agriculture in regions where rainfall has been weak.

"Both steel and cement registered good growth rates on the back of more infrastructure activity with the government driving the demand as their capex was on course. The delayed monsoon in June did keep construction work on which generated some demand for cement in particular. Normally cement demand ebbs during monsoon," he said.

Sunil K Sinha, chief economist at India Ratings, said the support to the core sector in July was broad-based as all of the sub-sectors grew year-on-year for the first time after May 2022.

When compared with the pre-pandemic level (February 2020), the core sector output stood at 13.8 per cent higher and remained higher since November 2021.

"Overall, the recovery in the infrastructure industries appears to be ticking off on a pervasive note that bodes well for the private sector capex cycle, which is on the cusp of a pickup. The agency expects the core sector output to record over 7 per cent growth in August on the back of favourable signs from high-frequency indicators (such as power generation, etc) and sustained capex frontloading by the general government," he said.

The eight core industries account for 40.27 per cent of the weighting of items included in the Index of Industrial Production (IIP) and, thus, have a significant impact on the index. Expressing optimism for the IIP growth, Sabnavis said he expected the IIP growth in the range of 5-6 per cent for July.