Core sector output slows to 4-month low in Sept

Experts say pickup in rainfall expectedly flattened the core sector expansion

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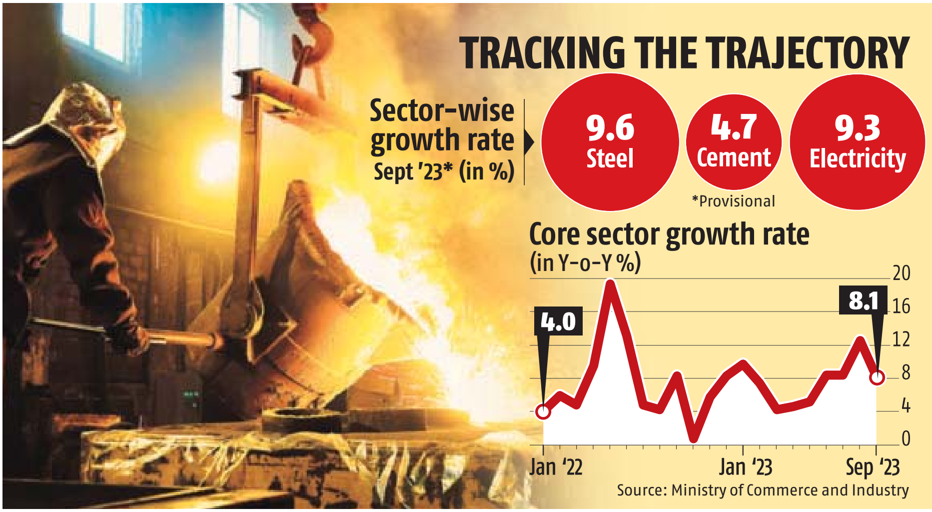

The output of eight key infrastructure industries — known as the core sector — slowed to a four-month low of 8.1 per cent in September, on the back of a high base and a slowdown in seven constituent sectors.

In September last year, the core sector output had grown 8.3 per cent.

The print for August 2023 was also revised slightly upwards to 12.5 per cent, from 12.1 per cent estimated earlier.

According to data released by the Ministry of Commerce and Industry on Tuesday, while growth in the output of fertiliser (4.2 per cent) accelerated in September vis-a-vis previous month, that of coal (16.1 per cent), natural gas (6.5 per cent), refinery products (5.5 per cent), cement (4.7 per cent), steel (9.6 per cent), and electricity (9.3 per cent) decelerated.

Meanwhile, crude oil production contracted (-0.4 per cent) again after a gap of two months.

Aditi Nayar, chief economist at ICRA Ratings, said the pickup in rainfall expectedly flattened the core sector expansion in September. "While coal output expanded by double digits for the third consecutive month in September, steel production and electricity generation posted a robust growth in the month. The growth in cement production [however] decelerated sharply to a six-month low in September, while crude oil production reverted to a contraction after a gap of two months," she said. For the April-September period, the core sector output growth stood at 7.8 per cent against 9.8 per cent in the first half of FY23.

Sunil K Sinha, chief economist at India Ratings, said the consistent government capex had been a favourable support to the cement and steel sectors as the general government capex increased 35.2 per cent to ₹1.5 trillion in September.

"Overall, the data indicates a subsistence of recovery in the infrastructure industries as the core sector output is 11.9 per cent higher than the pre-Covid level. The momentum is expected to continue in October as reflected from the daily power generation data, which was up 24.8 per cent owing to festive demand. This, along with a favourable base effect in October, would lead to the core sector output growing by around 9-10 per cent in the coming month," Sinha said.

The eight core industries account for 40.27 per cent of weighting of items included in the Index of Industrial Production (IIP) and, thus, they have a significant impact on the index. The IIP data for August had shown that the output of a third of the segments in the manufacturing sector had stood below even that in the same month in 2011-12, when the new IIP series started.

"The IIP growth is likely to moderate to high single digits in September 2023, taking a cue from the core sector's trajectory," Nayar said.