

Core sector bounces back on refinery, cement gains

Flashes 2% growth in Sep after contraction in Aug; IIP may show modest uptick

SHIVA RAJORA
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Growth in the output of eight key infrastructure industries — known as the core sector — recovered to 2 per cent Y-o-Y in September, from the contraction recorded in the preceding month. For the first time in 42 months, the output of the core sector had contracted (-1.6 per cent) during August.

Growth in September 2024 was slower than the 9.5 per cent registered in the same month last year.

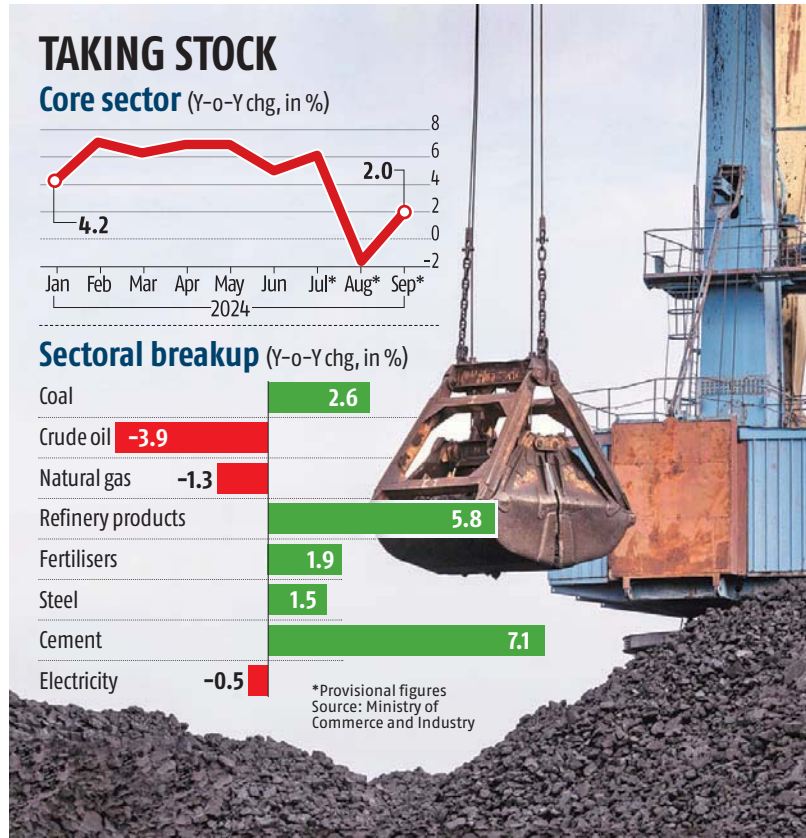
According to the data released by the Ministry of Commerce and Industry on Wednesday, the sequential recovery was on the back of an acceleration in the output of coal (2.6 per cent), refinery products (5.8 per cent) and cement (7.1 per cent), even as the output of fertilisers (1.9 per cent) and steel (1.5 per cent) underwent deceleration.

On the other hand, the output of crude oil fell by 3.9 per cent, with electricity and natural gas also contracting, by 0.5 per cent and 1.3 per cent, respectively.

“The production of cement, refinery products, coal, fertilisers, and steel recorded positive growth in September 2024,” said the commerce ministry in a statement.

Aditi Nayar, chief economist at ICRA Ratings, noted that the easing of rainfall-related disruptions affecting sectors like mining and electricity contributed significantly to the core sector’s recovery. She emphasised that the disaggregated trends remain relatively robust, with five of the eight sectors experiencing sequential improvements in year-on-year growth.

“Notably, growth in cement production improved to a 6-month high from a contraction of 3 per cent in August 2024, aided by a favourable base. In contrast, steel out-



put rose by just 1.5 per cent in the month, the slowest pace in 33 months,” she added.

The eight core industries comprise 40.27 per cent of the weight in the Index of Industrial Production (IIP), underscoring their substantial impact on the index. Following the contraction observed in the core sector in August, the IIP also experienced a decline of 0.1 per cent, representing its first contraction in 22 months.

Looking ahead, Nayar predicts that the

IIP is expected to grow between 3 per cent and 5 per cent in September 2024. This projection is underpinned by a narrower contraction in electricity and mining output, a favourable base effect, and a significant uptick in the growth of GST e-way bills, driven by pre-festival stocking.

For the first two quarters (April to September) of the current financial year, the output growth of core industries stood at 4.2 per cent.