HIGH BASE & WEAK ACTIVITY

# Core sector growth slows to 20-month low

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Growth in production by eight infrastructure industries, which comprise the core sector, slowed down sharply to a 20-month low of 0.1 per cent in October, owing to a high base effect and weak activity. Crude oil, natural gas, refinery products, and cement registered a contraction, while the power industry witnessed marginal growth. The corresponding last year figure was 8.7 per cent.

The October number is the lowest since February 2021 when there was a contraction of -3.3 per cent. In September this year, core sector output growth was 7.8 per cent.

Data released by the industry department on Wednesday showed sequential deceleration in output growth in sectors like coal (3.6 per cent), steel (4 per cent), electricity (0.4 per cent) and fertilisers (11.8 per cent). Crude oil (-2.2 per cent) and natural gas (-4.2 per cent) production contracted for the fifth and the fourth consecutive months, respectively.

However, cement (-4.3 per cent) and refinery products (-3.1 per cent) output contracted for the first time in over a year.

The eight core industries account for 40.27 per cent of the weighting of items included in the Index of Industrial Production (IIP).

Madan Sabnavis, chief economist at Bank of Baroda, said while this (output deceleration) was a sign of weakening activity, the high base effect also had a role to play.

"Given that growth last year had moderated from November onwards, we may expect a better performance from the core sector. Given the weighting of around 40 per cent in IIP, we can expect growth in industrial production to also be low, at 2-3 per cent," he added.

Coal was the only industry within this group that registered healthy growth of 4.6 per cent, despite a high base effect and this may be linked to better demand from industry, as electricity production also grew but at a lowly 0.4 per cent. Steel production and cement output growth were driven by government capex.