

Core sector grows 12.1% in Aug to hit 14-mth high

Growth led by low-base effect, double-digit growth in 5 of 8 sectors

SHIVA RAJORA

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The output of eight key infrastructure industries — known as the core sector — increased 12.1 per cent year-on-year in August, the best in 14 months, on the back of a low base and double-digit production growth in five sectors. In August last year, the core sector output had grown 4.2 per cent.

The print for July 2023, too, has also revised slightly upwards to 8.4 per cent, from 8 per cent as estimated earlier.

According to data released by the Ministry of Commerce and Industry on Friday, while growth in the output of fertiliser (1.8 per cent), steel (10.9 per cent) slowed in August vis-à-vis the previous month, that of coal (17.9 per cent), natural gas (10 per cent), refinery products (9.5 per cent), cement (18.9 per cent) and electricity (14.9 per cent) accelerated. Crude oil production grew at the same rate at 2.1 per cent.

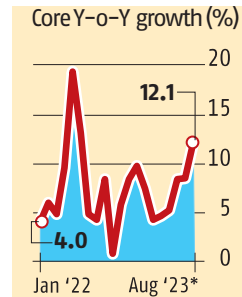
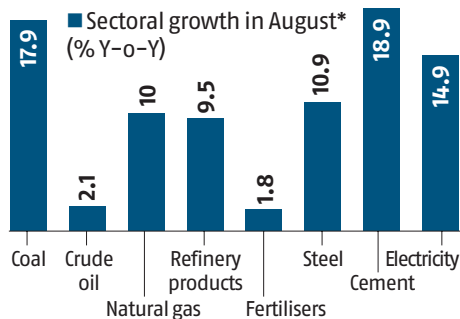
According to Aditi Nayar, chief economist, ICRA Ratings, amid a benign monsoon, core sector output growth was at a healthy level in August as growth was fairly broad-based, and all eight industries witnessed a Y-o-Y growth for the second consecutive month.

Sunil K Sinha, chief economist at India Ratings, said when compared with the pre-pandemic level (February 2020), the core sector growth was 17.0 per cent higher; the month-on-month seasonally adjusted core sector growth data also showed strong momentum of 2.7 per cent in August 2023 over the previ-



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A SNAPSHOT



*Provisional Source: Ministry of Commerce and Industry

ous month — this is the sharpest sequential expansion since December 2022.

“Strong growth in the cement and electricity sectors got support from the dry monsoon spell in August 2023 (monsoon was 36.2 per cent below normal at the all-India level). The output in these sectors is usually impacted by monsoon rainfall, which puts a break in construction activity and reduces the demand for power. Buoyant growth in the cement and steel sectors is getting sustained support from government capex. The data indicates that

the recovery in the infrastructure industries is getting broad-based, which is a good sign for the economy,” 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. Expressing optimism for IIP growth, Nayar expected it to remain in the range of 9-11 per cent for August as high-frequency indicators, such as auto output, GST e-way bills, and rail freight record a healthy performance.