

Core sector growth slips to nine-month low in August

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The eight infrastructure industries that comprise the core sector grew at the slowest pace in nine months, at 3.3 per cent, in August. This was owing to a higher base and deceleration in output growth of steel and electricity.

Data released by the industry department showed output growth of refinery products (7 per cent), fertilizers (11.9 per cent) and cement (1.8 per cent) accelerated compared to the preceding month. Those that decelerated sharply include production of coal (7.6 per cent), steel (2.2 per cent) and electricity (0.9 per cent). Crude oil (-3.3 per cent) and natural gas (-0.9 per cent) production contracted for the third consecutive month.

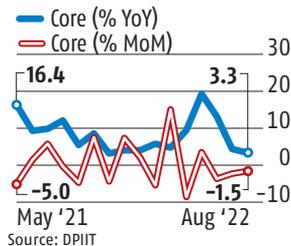
Madan Sabnavis, chief economist at Bank of Baroda, said the core sector has registered a slowdown in growth rate for the third successive month. It is partly influenced by the statistical base effect of



12.2 per cent growth last year, though a disaggregated picture signals some slowdown in real terms. "Return to normalcy in coal production is a positive for the economy, which was under stress in April and May following the Ukraine war when there was shortage of coal. Fertiliser production was upbeat more in preparation for the rabi sowing, which will start from next month. Refinery products have done well due to the higher offtake within the country as well as exports," he added.

Sequentially, the core sector contracted for the third consecutive month at 1.5 per

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Source: DPIIT

cent in August. Sunil Kumar Sinha, principal economist at India Ratings, said the ongoing industrial recovery is still weak as core sector output is only 3.5 per cent higher than the pre-Covid level.

"In fact, the coal and cement sector output even in August is trailing the pre-Covid level. Going forward, output in cement and steel may continue to witness pressure till the monsoon ends. Therefore, India Ratings expects the core sector to grow in the range of 3-5 per cent during September 2022," he added.

The Reserve Bank of India

(RBI) on Friday pared its growth forecast for FY23 to 7 per cent from 7.2 per cent estimated earlier.

"The headwinds from extended geopolitical tension, tightening global financial conditions and possible decline in the external component of aggregate demand can pose downside risks to growth," RBI Governor Shaktikanta Das said in his monetary policy statement.

The Organisation for Economic Cooperation and Development (OECD) and S&P on Monday kept their growth forecasts for India unchanged at 6.9 per cent and 7.3 per cent, respectively, for FY23. They had highlighted the growing downside risks.

"Softer external demand is a factor in India's projected slowdown from 8.7 per cent annual growth in FY22 to around 7 per cent in FY23 and around 5.75 per cent in FY24. However, this represents rapid growth in the context of a weak global economy," OECD said in its interim *Economic Outlook*.