

Core sector expands 6.4% in March to 16-month high

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The combined output of eight crucial infrastructure sectors jumped to a 16-month high of 6.4 per cent in March due to a double-digit growth in refinery products, fertilizers, cement and electricity.

Data released by the commerce ministry on Monday showed the eight core industries — coal, crude oil, natural gas, refinery products, fertilizers, steel, cement and electricity — had a cumulative growth of 2.7 per cent in the financial year 2015-16 ended March. However, this was lower than 4.5 per cent for the previous financial year.

The industries carrying a total weight of nearly 38 per cent in the Index of Industrial Production (IIP) has seen a straight fourth month of rise. This is expected to give a push to the IIP, which had risen by two per cent in February.

Core sector expands 6.4% in March to 16-month high Economists, however, forecast only a mild increase in IIP. "...the pick-up in the pace of expansion of the core sector augurs well for a mild improvement in IIP growth in March 2016," said Aditi Nayar, senior economist, Icra.

Core sector growth had registered a 15-month rise of 5.7 per cent in February mainly due to growth in production of fertiliser and cement. In March, both sectors continued to outperform others with fertiliser production jumping by 22.9 per cent followed by cement, which grew at 11.9 per cent.

The number of sectors which registered double-digit growth was taken to four in March from two in the previous month. Electricity generation, which has progressively risen since December, registered a growth of 11.3 per cent in March. The same is true for refinery products, growth rates for which rose from 2.1 per cent to 10.8 per cent over the same period.

Growth rates for coal however, continued to fall significantly from the 9.1 per cent rise in January to a mere 1.7 per cent rise in March. Steel production bounced back in March, rising at 3.4 per cent after the 0.5 per cent contraction seen in the previous month.

Production volumes for both crude oil and natural gas crashed in March. While crude oil fell by 5.1 per cent, the fall was more than double for natural gas, which contracted by 10.5 per cent. The industries continue to be hit by falling international crude oil prices coupled with subdued domestic and international demand.

While oil production has cumulatively declined by 1.4 per cent in the 2015-16 financial year, the decline has been highest among all industries, for natural gas at 4.2 per cent.