

Core sector growth slows to 3.2% in July

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Growth in the country's core sector slowed down to 3.2 per cent year-on-year in July from 5.2 per cent in June, according to the data released by the government on Wednesday. This was partly due to monsoon that hit output in sectors such as cement.

The eight core industries, which comprise nearly 38 per cent of the weight of items included in the Index of Industrial Production (IIP), had registered only a 1.3 per cent growth in July last year.

This July, refinery products grew fastest by 13.7 per cent (versus 2.9 per cent in July 2015) – the highest growth since 17.9 per cent in April. This was followed by coal (5.1 per cent versus -0.1 per cent in July 2015, but down from 12 per cent in June 2016). Natural gas recorded a 3.3 per cent growth in July after four months of contraction and as against -4.4 per cent in July 2015). Fertiliser production slowed to 2.5 per cent from 8.6 per cent in July 2015 and 9.8 per cent in June 2016.

Electricity generation (with a weight of 10.32 per cent in the IIP) registered a mere 1.6 per cent in July (versus 3.5 per cent in July 2015), which was the lowest since the zero per cent growth in November 2015. Steel production (with a weight of 6.68 per cent) contracted by -0.5 per cent, the lowest since it shrunk by the same margin in February 2016. Crude oil production also shrunk by -1.8 per cent. Cement growth was hit by rains slowed to 1.4 per cent in July from 10.3 per cent in June (it was 1.4 per cent in July 2015).

The data for July showed that fluctuation in the growth of these eight core sectors continued. These sectors had recorded an 8.5 per cent growth in April, the highest since 8.54 per cent in November 2014. They then posted 2.8 per cent year-on-year growth in May — the slowest pace since 2.9 per cent in January 2016. The core sector output had plunged to the negative growth territory in November 2015 when it shrunk by (-) 1.3 per cent.

Experts had been pointing out that it was becoming difficult to expect a one-to-one correspondence between core sector growth and overall IIP growth. Though the core sector grew by 8.5 per cent in April, the IIP for April shrunk (-) 1.35 per cent. Similar was the case in March when the core sector posted 6.4 per cent growth, while IIP recorded just 0.05 per cent growth. In May, core sector growth had slowed to 2.8 per cent, while IIP surprisingly rose to 1.2 per cent. In June, though, core sector growth had jumped to 5.2 per cent, and IIP too improved at 2.1 per cent growth.