

## Core sector output growth slows to 4.9 per cent in November

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The eight core industries recorded a year-on-year growth in output of 4.9 per cent in November 2016, slower than the previous two months - that is, a 6.6 per cent increase in October and 5.01 per cent in September.

Output in electricity and coal posted healthy growth rates of 10.2 per cent and 6.4 per cent respectively in November as against 2.85 per cent and (-) 1.5 per cent respectively in October 2016, according to government data released on Monday. In November 2015, electricity and coal production posted a growth of 5.6 per cent and 3.8 per cent respectively.

The 10.2 per cent growth in output of electricity in November is the highest since 14.68 per cent in April 2016. The eight core industries comprise close to 37.9 per cent of the weight of items included in the Index of Industrial Production (IIP) and electricity has the maximum weight (of 10.32 per cent) among the eight sectors. The coal sector posted a positive growth after three consecutive months of contraction in output, and the 6.4 per cent growth in November was the highest since 12.05 per cent in June 2016.

### Poor IIP correlation

Soumya Kanti Ghosh, Chief Economic Advisor, State Bank of India, said: "The impact of the cash crunch, triggered by the demonetisation exercise, on the core sector data will be seen only from December." He said it was becoming difficult to expect a one-to-one correspondence between core sector growth and overall IIP growth, adding that even if the core sector posted a healthy growth, there was no guarantee that the IIP would also register a similar robust growth as the credit growth has not been very significant.

Steel production slowed to 5.6 per cent in November 2016, down from about 17 per cent growth during the August-October 2016 period. The 5.6 per cent growth was also the lowest since 6.15 per cent in April 2016. In November 2015, steel output had contracted by 6.8 per cent. Crude oil and natural gas output have been shrinking for several months now, and the trend continued in November 2016 as well. Crude oil production contracted 5.4 per cent in November 2016 – shrinking for the ninth consecutive month. Natural gas production shrank 1.7 per cent in November 2016, falling for the fourth straight month.

Fertiliser production rose 2.4 per cent in November 2016, up from the 0.8 per cent increase in October, but at a much slower pace than 13.9 per cent in November 2015. Refinery output rose only by two per cent – slower than 15.1 per cent in October 2016, but slightly higher than 1.7 per cent in November 2015. Cement production also went up by only 0.5 per cent in November, better than a contraction of 1.7 per cent in November 2015 but slower than 6.2 per cent in October 2016. The cumulative growth of the core sector during April-November, 2016-17 was 4.9 per cent.