

## Slowdown saga: India's core sector growth shrinks by over 5%

Consumption slowdown, along with flooding across several states in September, contracted India's eight major industries' output rate by over 5 per cent.

IANS | November 01, 2019, 03:37 IST



New Delhi: Consumption slowdown, along with flooding across several states in September, contracted India's eight major industries' output rate by over 5 per cent.

Economists and industry watchers blamed consumption slowdown and heavy rainfall and flooding in several states in September as the prime reasons for the dismal performance.

The Index of Eight Core Industries showed that contraction in September came after a marginal growth of 0.1 per cent registered in August.

The contrast in output pace was even more evident on a year-on-year basis, when the growth rate stood at 4.3 per cent in September 2018.

The eight core industries include coal, crude oil, natural gas, refinery products, fertilisers, steel, cement and electricity.

According to the Index of Eight Core Industries, barring fertilisers, all the other seven sectors contracted in September.

The core sectors comprise 40.27 per cent of the weight of items included in the Index of Industrial Production (IIP).

On a sector-specific basis, the refinery output, which has the highest weightage of 28.03, plunged by 6.7 per cent in September compared to the same month of the previous financial year.

Similarly, electricity generation, which has the second highest weightage of 19.85, decreased by 3.7 per cent. Steel production, the third most important component with a weightage of 17.91, slipped by 0.3 per cent during the month under review, whereas coal mining, with 10.33 weightage, was down by 20.5 per cent.

Extraction of crude oil, which has a weightage of 8.98, declined by 5.4 per cent in September. The sub-index for natural gas output with a weightage of 6.87 inched lower by 4.9 per cent.

Cement output, which has a weightage of 5.37, fell 2.1 per cent, whereas fertiliser production, which has the least weightage of 2.62, increased 5.4 per cent in September.

"With seven of the eight constituents reporting contraction in September, partly on account of disruptions caused by heavy rainfall, the core sector data has reinforced our view of a considerable deterioration in economic activity in that month," said Aditi Nayar, Principal Economist, ICRA.

"The worsening in the performance of refinery production, which has the largest weight within the core sector, in September, and the sharp deepening in the YoY decline of coal output were the key drivers of the sequential deterioration in the core sector," Nayar added.

According to India Ratings and Research's Principal Economist Sunil Kumar Sinha: "Such a low growth in core sector industries has not been witnessed so far in either 2011-12 base or the 2004-05 base series.

"This clearly indicates the severity of the ongoing industrial slowdown. With current inflation within the RBI target range and likely to remain so in the near term, India Ratings and Research believes another rate cut in the December 2019 policy review is nearly a certainty."

Rajat Bahl, Chief Analytical Officer and Head, Financial Institutions, Brickwork Ratings, said the recent measures taken by the government to revive growth are expected to help reverse the current trend in the medium term.

"For faster results, there is a need to boost demand. Some of the measures that can be considered include reduction in personal income tax and measures to revive the ailing real estate sector.

"In the next two months, the growth numbers will be key to assess if the festival demand has been higher than the previous year, which could help provide support to the falling core sector growth."