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GAS OUTPUT SLUMPS

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Output growth in eight key infrastructure industries fell back to a sluggish pace last month, demonstrating that the rebound in November was a flash in the pan, as feared.

Core sector output expanded just 3.1% in December, a sure sign that industrial expansion, too, would have slowed in the final month of 2011. It recovered to 5.9% in November after contracting 4.7% the month before. The eight core sectors account for more than a third of

the Index of Industrial Production. "We are likely to find stability at these low levels," said Madan Sabnavis,

chief economist at ratings agency CARE.

The slower growth was largely due to continued under performance in natural gas output, which shrank by 10.8%. This was because of lower output from Reliance's KG Basin fields. Cement and steel production rose in December, showing construction activity picking up pace.

Electricity generation expanded 8% while fertiliser production was up 0.8%. Coal output, too, rose for a second month in a row. Jyotinder Kaur of HDFC Bank said 5-6% growth in core sector output — it was 6.8% in November — is "unsustainable given the current economic scenario". Between April and December, the cumulative core sector growth rate has been 4.4%, compared with 5.7% during the same period in 2010-11. "There is not much upside to the current scenario.

The weakness in core sector is likely to persist," DK Joshi of rating agency Crisil said.

During April-Dec, core sector grew 4.4%, against 5.7% during the same period in 2010-11