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Core sector output up 9.4% in July; IIP seen at 13-15%

Synopsis
On a month-on-month basis, output rose 5.4% in July, after growing 1.5% sequentially in June, data released by the commerce and indust ministry showed on Tuesday.

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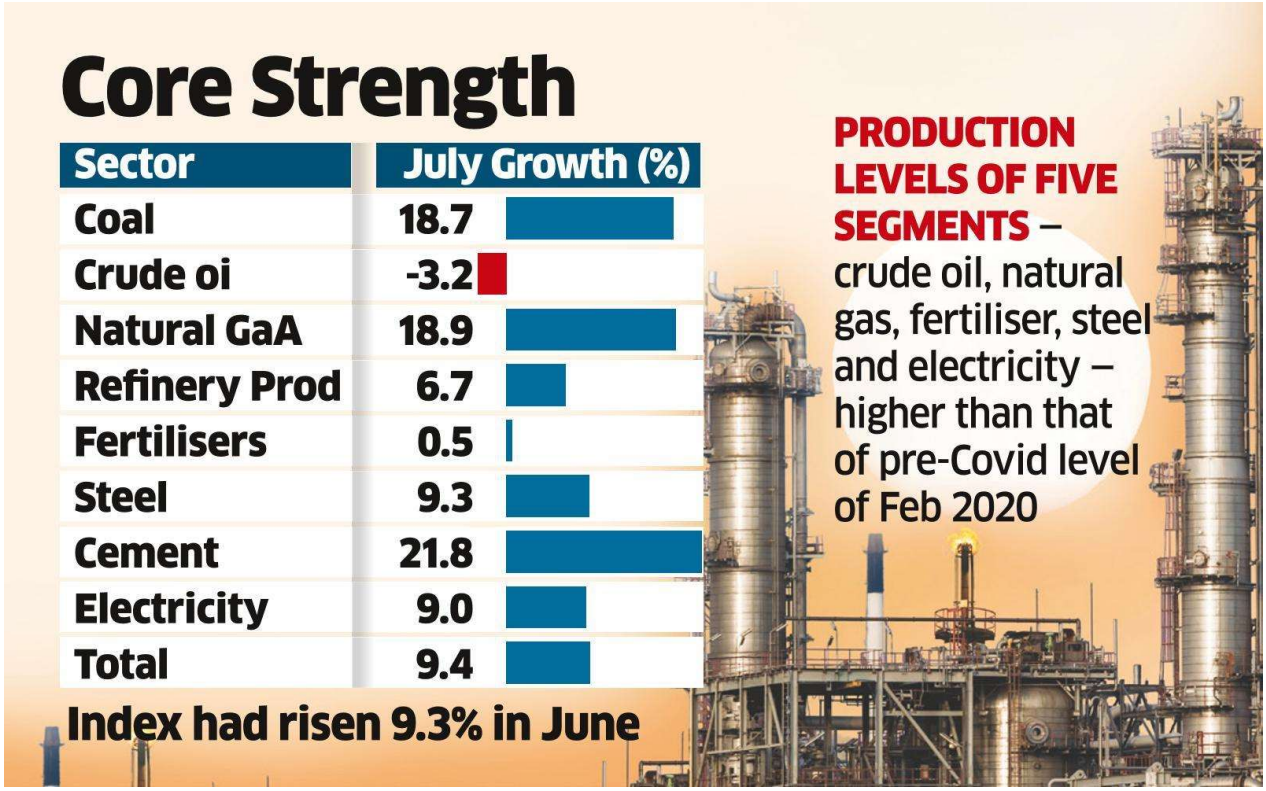
India's core sector output grew 9.4% year-on-year in July as the production went past the pre-pandemic levels two years ago.

On a month-on-month basis, output rose 5.4% in July, after growing 1.5% sequentially in June, data released by the commerce and industry ministry showed on Tuesday.

The core sector index measures output of eight **infrastructure** sectors – **coal**, steel, cement, fertiliser, electricity, **natural gas**, refinery products and crude **oil** NSE 0.17 %.

The index had risen 9.3% in June.



"The latest data depicts that the overall index, which on the back of Covid 2.0 had lost some ground in May and June 2021, crossed the two years ago production levels in July 2021," said Devendra Kumar Pant, chief economist, India

Ratings & Research.

All the core segments, apart from crude oil, witnessed growth in July – coal (18.7%), natural gas (18.9%), petroleum refinery products (6.7%), fertiliser (0.5%) steel (9.4%), cement (21.8%) and electricity (9.0%). Crude oil output shrank 3.2%.

The eight core sector industries comprise nearly two-fifths of the index of industrial production (IIP).

Based on the performance of the core sector, non-oil exports and **auto** production, ICRA said it expects the IIP to recc an expansion of 13-15% in July. **CARE Ratings** NSE 1.12 % expects 12-14% rise in IIP.

The production levels of five core sector segments – crude oil, natural gas, fertiliser, steel and electricity – are now high than the production level of pre-Covid level of February 2020. In April-July, the sectors grew 21.2% year-on-year.

The cumulative index for the period so far this fiscal is 2.8% lower than the index for the corresponding period of 2019-20 prior to the onset of the pandemic.

"This is indicative of the fact that though the economy has been showing signs of improvement it is still far from achieving the pre-pandemic levels of industry activity," CARE Ratings said in a note.

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