

# Core sector growth slowed to 3.3% in August

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**Index hit lowest level since February 2022, but grew 7.9% over pre-COVID levels**



Output growth in India's eight core infrastructure sectors slowed to 3.3% in August from 4.5% in the previous month. This is the slowest pace seen since November 2021, with crude oil and natural gas continuing to report contractions while electricity and steel production clocked sharply lower expansions than in the previous month.

Overall output levels in the eight sectors that make up 40% of the Index of Industrial Production (IIP), were 1.5% lower than July 2022 levels, marking the third successive month of such sequential contraction.

The index of eight core industries for August stood at 138.6, the lowest level since February this year. While six sectors recorded growth from a year earlier, just four industry segments clocked higher output on a month-on-month basis.

CARE Ratings chief economist Rajani Sinha attributed the deceleration in growth 'mainly' to the base effect from August 2021 when these sectors' output had surged 12.2% year-on-year.

"When compared with the pre-pandemic period of August 2019, the output of eight core sectors have recorded healthy growth of 7.9%. A pre-pandemic comparison reveals that sectors such as coal, fertilizers, cement and electricity have been driving growth in the infrastructure index in the last few months," Ms. Sinha noted.

Coal output grew 7.6% compared with August 2021, but was 3.92% below July's 2022 levels, while refinery production jumped 7% year-on-year but was 4.8% lower than July 2022.

Fertilizer production growth hit a three-month high of 11.9%, and 2.6% above the previous month's level. Steel output grew at the slowest pace since December 2021 at 2.2% and was fractionally above July levels.

Cement production grew 1.8% from August 2021 but was 2.2% below this July's output. Electricity generation grew 0.9%, the slowest uptick since January 2022, and 0.8% over the previous month.

Crude oil production shrank for the third successive month, dipping 3.3% from last August and 0.8% from July. Natural gas production contracted 0.9%, the worst show in at least a year, but was 0.5% higher than July.