

June Core Output at 3-month High on Steady Govt Capex

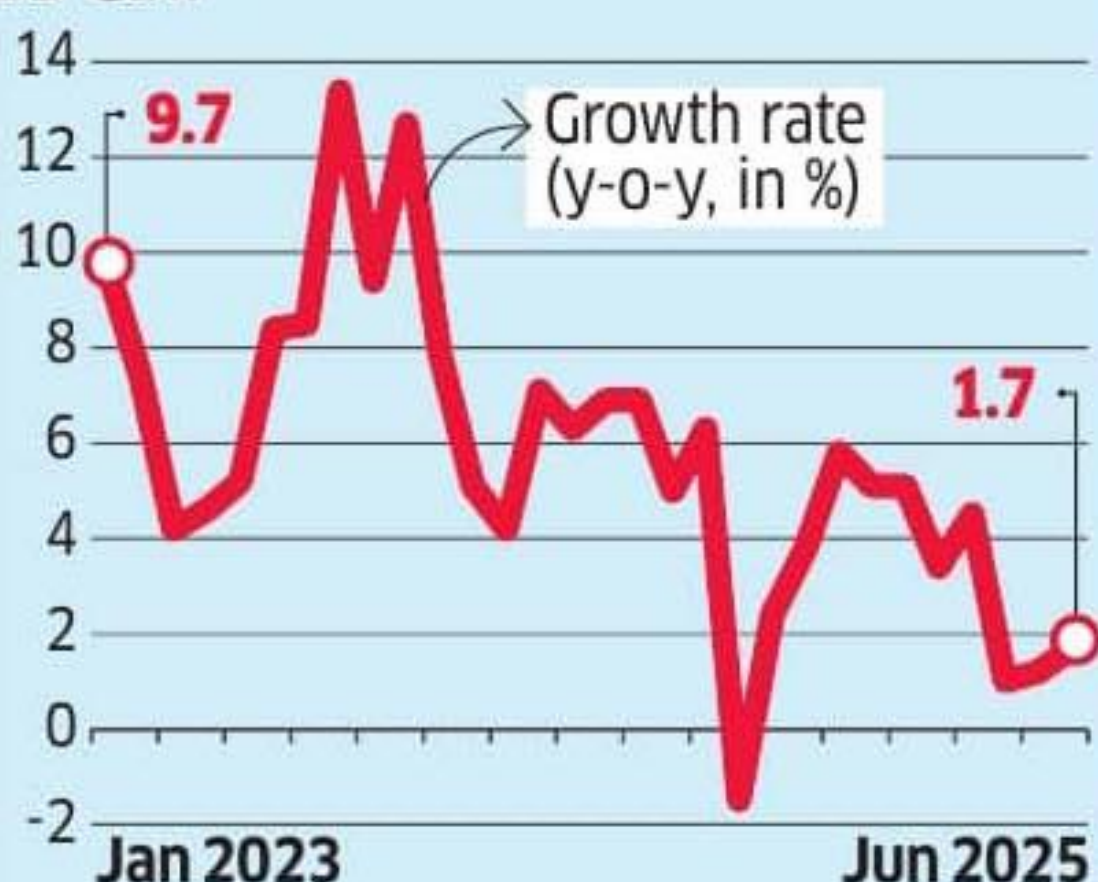
Production grew 1.7% last month; it was 1.2% in May & 5% in June 2024

Infra Growth

Three out of eight sectors recorded a positive growth

Steel recorded the highest increase in output

Coal witnessed highest contraction



Note: Figures for the last three months are provisional;
Source: Ministry of Commerce and Industry

Our Bureau

New Delhi: India's core sector output grew to a three-month high of 1.7% in June, driven by sustained government capital expenditure that supported infrastructure-related sectors, even as five of the eight core industries recorded contraction, official data released Monday showed. The growth was 1.2% in May and 5% in June 2024.

"Steady government capex, along with reasonable growth in steel, cement and refinery products pulled up the infrastructure output to a three-month high," said Paras Jasrai, associate director at India Ratings and Research (Ind-Ra). The steel output surged to a seven-month high of 9.3% in June, while cement production increased by 9.2%, due to a favourable base effect.

"The growth in volumes of these segments has been quite healthy in Q1FY26, which implies that the construction sector is poised to record a robust GVA (gross value added) growth in the quarter," said Aditi Nayar, chief economist at ICRA. Official GVA figures for the June quarter will be released in August. Output of refinery products grew to a five-month high of 3.4% year-on-year. The strong performance of these three sectors helped prevent

KEY SECTORAL RISE

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a contraction in core sector output, offsetting decline in the other five industries – coal (6.8%), natural gas and electricity (2.8% each), and crude oil and fertilisers (1.2% each).

"While an elevated base weighed upon coal output, excess rains in the latter half of June impacted electricity generation," explained Nayar.

Jasrai added that the swift progression of the southwest monsoon across the country along with a high base effect were some of the reasons.

On average, core sector output averaged 1.3%, lower than 6.2% in the corresponding period last year.

Looking ahead, Ind-Ra projects core sector output to improve further to around 2% year-on-year in July. Since the eight core industries account for 40.27% weight in the Index of Industrial Production (IIP), economists expect the tepid growth in core sector output to impact industrial activity as well.