CEMENT RECORDS STRONGEST EXPANSION

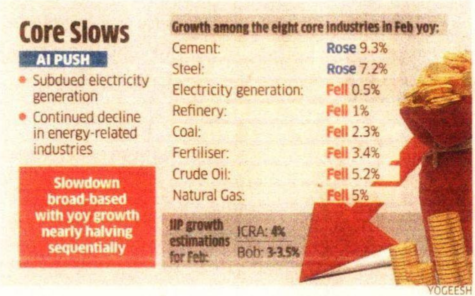
Core Growth Eases to 2.3% in Feb on Lacklustre Energy Show

Economists expect West Asia conflict to impact core sector and thereby industrial output

Our Bureau

New Delhi: India's core sector growth slowed to a three-month low of 2.3% year-on-year in February, from 4.7% in January, amid subdued electricity generation and continued decline in energy-related industries, official data released Friday showed.

Growth stood at 3.4% in February 2025. Aditi Nayar, chief economist at ICRA, said the slowdown was broad-based, with year-on-year growth nearly halving sequentially. "Even before the start of the West Asia crisis, the growth of the core sector output in India had slowed," she noted.



Of the eight core industries, cement recorded the strongest expansion, rising 9.3% year-on-year in February, though lower than January's 11.3%. Steel production grew 7.2%, easing from 11.5% in the month before.

"Infrastructure push by the government has helped steel and cement," said Madan Sabnavis, chief economist at Bank of Baroda.

Among energy-related industries, refinery products output declined 1% year-on-year in February, while crude oil and natural gas production contracted by 5.2% and 5%, respectively.

Economists expect the ongoing conflict in West Asia to impact the core sector and thereby industrial output going ahead.

"The impact of Middle East escalation is likely to be felt in March," said Gaura Sengupta, chief economist at IDFC First Bank.

"However there could be a pickup in domestic petroleum production to safeguard domestic supplies," she added.

Electricity generation growth dropped to a three-month low of 0.5% compared with 5.2% in January. "The warmer weather will support electricity production in March," noted Sengupta.

Fertilisers output fell to a five-month low of 3.4%, while coal output eased to a three-month low of 2.3%.

Overall, core sector growth stood at 2.9% in FY26 (till February), lower than 4.4% in the corresponding period last year.

The eight core industries account for 40.27% weight in the Index of Industrial Production (IIP). India's industrial output slowed to a three-month low of 4.8% year-on-year in January, down from 8% in December.

ICRA projects IIP growth to moderate to around 4% in February, while Bank of Baroda estimates 3-3.5%.

ICRA also cautioned that energy prices are unlikely to return to February levels anytime soon, even if tensions in West Asia ease quickly. It has revised its gross domestic product (GDP) growth forecast for FY27 to 6.5%, assuming crude oil prices average $85/barrel, lower than previous estimate of 7.1%, which was based on oil prices of $70-75/barrel.