

India core sector shrinks 0.4% in March on West Asia war hit

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India's core infrastructure sector contracted 0.4% year-on-year in March to its lowest in nearly two years, marking a sharp reversal from the 2.8% expansion recorded in February, as the war in West Asia disrupted supply chains, particularly hurting energy-related industries.

The index of eight core industries, which tracks coal, crude oil, natural gas, refinery products, fertilizers, steel, cement and electricity, accounts for 40% of the Index of Industrial Production (IIP), a broader measure of factory output in the economy. With contraction in core sector growth, the IIP is also expected to come under pressure in the month when data is released later in the coming days.

According to provisional data for the core sector released by the commerce and industry ministry, output in energy and input-heavy sectors fell sharply in March. While crude oil production fell



The contraction was a sharp reversal from 2.8% expansion recorded in February. MINT

5.7% year-on-year, coal was down 4%, and electricity generation 0.5% lower. The fertilizer sector saw the steepest year-on-year fall of 24.6%.

But not all eight core sector industries saw a decline. Steel output grew 2.2% while cement rose 4%. Amid a period of energy crisis, natural gas output rose 6.4%.

While the monthly production contracted, the cumulative performance of the core sector for FY26 showed a modest expansion, with the index growing 2.6%.

"Core sector output contracted by 0.4% in March 2026, the first time in five months, amidst a decline in production across four of the eight sectors. While an adverse base weighed on electricity generation, a shortage of inputs amidst the West Asia crisis curtailed fertilizer output, which plunged by an unprecedented 24.6% YoY. Besides, the growth in steel and cement output also weakened... suggesting that construction activity slowed in the month," said Aditi Nayar, chief economist at Iera Ltd.

"Given these trends, and the adverse impact of the surge in energy prices and constrained availability, Iera expects the IIP growth to slow to 1.0-2.0% in March 2026 as against 5.2% in February 2026," she added.

A mixed monthly performance by the core sector indicates that despite the global turmoil, some parts of the industry are still holding up, especially those with higher weights in the index, preventing a sharper output contraction. However, the growth remains uneven overall.