STEEP DROP IN FERTILISER PRODUCTION HITS HARD

Mar Core Output Contracts 0.4%, Hits 19-mth Low

Output contracts for first time in 5 months

Our Bureau

New Delhi: India's core sector output fell 0.4% year-on-year in March, hitting a 19-month low, due to a steep decline in fertiliser production amid the Iran war and weaker performance in energy-related industries, showed official data released on Monday.

Growth stood at 2.8% in February and 4.5% in March 2025.

"In the coming months the impact of the West Asia crisis will become even more visible with supply-side constraints rising," said Gaura Sengupta, chief economist at IDFC First Bank.

The output contracted for the first time in five months, with four of the eight sectors recording a decline. Fertiliser production saw the sharpest drop of 24.6%, marking the steepest contraction in the 2011-12 base series.

"The gas supply to the fertiliser industry was reduced to 70-75% in March due to the Iran war, which has now increased to around 95%. This is likely to have an adverse impact on fertiliser production even in April," said Devendra Pant, chief economist at India Ratings and Research.

Other sectors that registered a decline included crude oil (5.7%), coal (4%) and electricity (0.5%).

Aditi Nayar, chief economist at ICRA, noted that while an adverse base weighed on electricity generation, a shortage of inputs amid the West Asia crisis curtailed fertiliser output.

In contrast, natural gas output rebounded, surging to a 22-month high of 6.4% in March after contracting 5% in February.

Growth in steel output slowed to 2.2% in March from 7.6% the month before, while cement production fell to 4% from 8.9%.

"The growth in steel and cement output weakened in March, suggesting that construction activity slowed that month," said Nayar.

Refinery production posted a marginal growth of 0.1%.

Overall, core sector growth slowed to a five-year low of 2.6% in 2025-26 compared with 4.5% in the previous fiscal.

The eight core industries account for 40.27% weight in the Index of Industrial Production (IIP). India's industrial production increased 5.2% year-on-year in February from 5.1% in January.

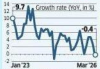
Given rising energy prices and supply constraints, ICRA expects IIP growth to slow to 1-2% in March. Bank of Baroda estimates project a similar range, while IDFC First Bank expects 1%.

Backward March

Four of eight sectors shrink, including crude oil, coal and electricity

Natgas output rose 6.4%, while steel and cement growth slowed

FY26 core growth eased to a five-year low of **2.6%**



Note: Data for last month is provisional
Source: Ministry of Commerce and Industry