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Market Watch

Core sector output for October contracts further to 5.8 per cent

BY ET ONLINE | UPDATED: NOV 30, 2019, 07:26 AM IST

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The **core sector** for the month of October further contracted to 5.8% from the 5.2% contraction seen in September.

The index was dragged down by **electricity** which reported a de-growth of 12.4% vs -3.7% in September.

There was a broadbased contraction in the index barring fertilisers and refinery products.

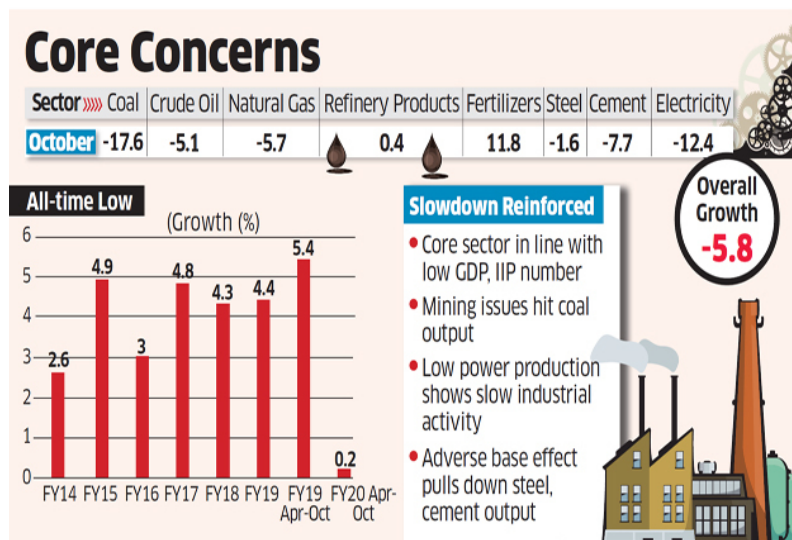
The index of eight core industries comprises **coal**, **crude oil**, **natural gas**, steel, cement, electricity, fertilizer and refinery products. The index makes up 40.27% of the Index of Industrial Production (IIP).

Coal production declined by 17.6% in October vs a de-growth of 20.5 %. Crude Oil production declined by 5.1% in October, 2019 over October, 2018.

October steel output contracted to 1.6% vs -0.3%, cement output contracted to 7.7% vs -2.1% and natural gas output contracted to 5.7% vs -4.9% in September.



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October refinery products output grew to 0.4% vs -6.7% in September.

Aditi Nayar, Principal Economist at ICRA Ltd said, "The YoY decline in electricity generation worsened as heavy rainfall reduced demand for power from the agricultural and household sectors, and demand from the manufacturing sector was limited given the holidays during the festive period. With healthy reservoir levels, hydroelectricity generation would remain robust in FY2020. This, in conjunction with an increasing share of other renewable generation sources (mainly wind and solar), would thereby squeeze thermal electricity generation in the next few quarters."

During the April-October period, the growth of core industries fell to 0.2 per cent against 5.4 per cent in the year-ago period.

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