CORE SECTOR GROWTH

In yet another disappointing performance, the core sector growth for **March dipped by 0.1% which** is a continuation of a continuous decline in the monthly growth rate from 6.7% in November to 2.4% in December, 1.8% in January, 1.4% in Feb and -0.1% in March.

Four segments, **natural gas, refineries, steel and cement witnessed negative growth rates this month**. Coal was the only sector to register growth of 6% which cam over a low base of 0.6% last year.

In FY15 growth has come lower at 3.5% compared with 4.2% last year. For the full year this is how the sectors have performed:

%	**FY14**	**FY15**
Coal	1.3	8.2
Crude oil	-0.2	-0.9
Natural gas	-13.0	-5.2
Refined products	1.5	0.4
Fertilizers	1.5	-0.1
Steel	11.5	0.5
Cement	3.1	5.6
Electricity	6.0	8.0
All	**4.2**	**3.5**

CARE Ratings' view:

1. These numbers do indicate that we have not really seen any recovery in the infrastructure space as these industries represent this sector. This also means that the clearance of projects have not yet resulted in much traction in related sectors.

2. The power sector continues to be impressive and hopefully will accelerate given that the coal auctions have been successfully completed by the government.

3. Overall industrial growth based on first impressions for the year going by the IIP is likely to be in the range of 3% this year provided the capital goods segment continues to show a strong positive growth. It is unlikely that the consumer durable goods would have

shown a significant improvement even though March could be a spending month especially for automobiles.

4. These low growth numbers are broadly in line with the low credit offtake witnessed in FY15.

5. Government will play an important role in kick starting industry and the core sector in FY16 provided the project allocations materialize.

6. But given the low monsoon forecast, the RBI could be cautious with lowering rates and a pick-up in industrial growth could be delayed.