UPSC & STATE PCS CURRENT AFFAIRS · UJIYARI.COM

DAILY CURRENT AFFAIRS

Core Sector Output Contraction — Reading India's Industrial Slowdown

22 April 2026 · ECONOMY · GS3

CURATED & WRITTEN BY

Bharat Choudhary

UPSC Educator & Content Creator

linkedin.com/in/epicbharat

Core Sector Output Contraction — Reading India's Industrial Slowdown

22 April 2026 · 5 min read · 1 tag ▾

WHY IN NEWS

India's **eight core sector industries** recorded a **contraction in March 2026** — the latest monthly data indicating a deceleration in industrial momentum. The core sector is a **leading indicator** of broader industrial output, as it comprises approximately **~41% of the Index of Industrial Production (IIP)**. **Cement and electricity** showed the sharpest declines, while steel and coal also weakened. The data raises macroeconomic concerns ahead of the **RBI's Monetary Policy Committee (MPC)** meeting and the forthcoming Annual Budget review. Structural versus cyclical debate is central to understanding whether India is facing a temporary slowdown or a deeper economic transition.

THE EIGHT CORE SECTORS — WHAT THEY ARE

The Government of India publishes the **Index of Eight Core Industries** monthly:

SECTOR	WEIGHT IN CORE INDEX	WEIGHT IN IIP
Refinery Products	28.04%	Highest
Electricity	19.85%	—
Steel	17.92%	—
Coal	10.33%	—
Crude Oil	8.98%	—
Natural Gas	6.88%	—
Cement	5.37%	—
Fertilisers	2.63%	Lowest
Total core weight in IIP	**41.6%**	

Together these 8 sectors serve as the **material backbone of the Indian economy** — their output feeds into infrastructure (cement, steel), energy (coal, electricity, gas), agriculture (fertilisers), and manufacturing (refinery products).

MARCH 2026 DATA — WHAT CONTRACTED AND WHY

Cement — Sharpest Decline

Cement contraction reflects:

- **Seasonal factor:** March is typically the fiscal year-end; government infrastructure spending slows as budgets close
- **Heat wave effect:** Extreme heat in March-April slows construction activity in North India
- **Base effect:** March 2025 had unusually high cement output due to infrastructure push before elections
- **Demand signal:** A sustained cement decline (3+ months) would indicate real estate and infrastructure slowdown

Electricity Generation Contraction

Electricity contraction in March 2026:

- Partly **seasonal** — March is spring; cooling demand hasn't yet peaked; heating demand has passed
- Partly **industrial slowdown** — lower industrial electricity consumption
- The **heatwave surge** expected in April-May typically boosts electricity output in subsequent months

Steel

Steel contraction indicates:

- Weaker construction and manufacturing demand
- Import competition — cheaper Chinese steel has pressured domestic producers
- Global steel overcapacity continues to weigh on prices

UNDERSTANDING IIP — INDEX OF INDUSTRIAL PRODUCTION

What Is IIP?

The **Index of Industrial Production (IIP)** measures the **short-term change in the volume of production** across Indian industries:

PARAMETER	DETAIL
Published by	Ministry of Statistics and Programme Implementation (MoSPI)
Frequency	Monthly (with 6-week lag)
Base year	2011-12
Components	Mining (14.4%), Manufacturing (77.6%), Electricity (7.9%)
Core sector weight	41.6% of IIP

How to Read IIP Data

METRIC	INTERPRETATION
Positive growth	Industrial expansion
Zero / marginal positive	Stagnation
Contraction (negative)	Industrial decline
Sequential vs. Y-o-Y	Year-on-year comparison removes seasonal effects

MACROECONOMIC CONTEXT

India's GDP Growth Trajectory

PERIOD	GDP GROWTH
FY2022-23	7.2%
FY2023-24	8.2% (strong infrastructure push)
FY2024-25	~6.4% (moderation)
FY2025-26	~6.5-6.8% (estimated)

India's growth has remained resilient compared to peers, but **industrial growth** (as distinct from services) has been more uneven. The services sector (IT, financial services, tourism) has driven most of GDP growth — manufacturing and core industries have been weaker.

The Structural vs. Cyclical Debate

Cyclical slowdown arguments:

- Seasonal effects (election year, heat wave, fiscal year-end)
- Base effects from high March 2025 output
- Global commodity price volatility

Structural slowdown concerns:

- **Private capex (capital expenditure) remains weak** — corporate investment has not picked up despite government spending
- **Consumption demand plateauing** — urban middle class consumption shows signs of fatigue
- **Credit growth slowing** — bank credit growth has moderated
- **Export weakness** — global demand softness affecting manufacturing exports

The RBI Response

The **Reserve Bank of India's MPC (Monetary Policy Committee)** watches core sector data closely:

- Sustained core sector weakness → GDP growth risk → case for **rate cuts**
- But inflation (especially food inflation) constrains rate cuts
- March 2026 CPI inflation: ~4.5-5% (within RBI's 2-6% band but above 4% target)

The **RBI's MPC** — chaired by the RBI Governor, with 3 external members and 3 RBI members — has a **mandate to keep CPI inflation at 4% (±2%)** under the **Flexible Inflation Targeting (FIT)** framework.

LEADING INDICATORS — WHAT ELSE TO WATCH

Analysts track multiple indicators alongside IIP/core sector:

INDICATOR	CURRENT SIGNAL
GST collections	Robust (~₹1.9 lakh crore/month)
E-way bill generation	Stable
PMI Manufacturing	>50 (expansion territory)
Bank credit growth	Moderating
Auto sales	Mixed (two-wheeler up; PV stable)
Export growth	Weak
Import growth	Moderate
Power consumption	Seasonal dip (March); expected April surge

The **mixed signals** suggest a **cyclical dip** in core sector rather than a structural break — but bears watching if cement and steel remain weak through June.

POLICY IMPLICATIONS

Fiscal Side

- **Government capex** has been the primary driver of industrial demand in recent years; ₹11.11 lakh crore capex target for FY2026-27 is critical
- If private capex doesn't revive, government must maintain or increase spending to sustain growth
- **Infrastructure projects** (roads, railways, ports, urban metro) are the primary cement and steel consumers

Monetary Side

- RBI is expected to **cut rates by 25-50 bps** over FY2026-27 to stimulate demand — subject to inflation
- **Transmission lag:** Rate cuts take 6-18 months to feed through to industrial activity

Trade Side

- **Anti-dumping duties** on Chinese steel have been under review — core sector steel producers want protection
- **PLI schemes** for manufacturing are designed to boost domestic production but take 3-5 years to show scale effects

UPSC RELEVANCE

PAPER	ANGLE
GS3 — Economy	IIP, core sector, GDP, MPC, monetary policy, fiscal policy
GS3 — Economy	Leading indicators, PMI, GST, credit growth
GS2 — Governance	MoSPI, RBI, DPIIT, economic data reporting
Mains Keywords	IIP, core sector, MPC, Flexible Inflation Targeting, capex, private investment, PMI, GST, RBI repo rate

FACTS CORNER

- **Eight core sectors:** Coal, crude oil, natural gas, refinery products, fertilisers, steel, cement, electricity
- **Core sector weight in IIP:** ~41.6%
- **IIP base year:** 2011-12; published by MoSPI monthly (6-week lag)
- **IIP components:** Mining (14.4%), Manufacturing (77.6%), Electricity (7.9%)
- **RBI MPC mandate:** CPI inflation at 4% (±2%) — Flexible Inflation Targeting (FIT) framework
- **RBI MPC composition:** RBI Governor (chair) + 2 RBI deputies + 3 external members (appointed by GoI)
- **India FY25-26 GDP estimate:** ~6.5-6.8% — services-led
- **Government capex FY2026-27:** ₹11.11 lakh crore — infrastructure focus
- **Cement contraction drivers:** Seasonal (fiscal year-end), heat wave (construction slowdown), base effect
- **GST collections:** ~₹1.9 lakh crore/month (FY26 average) — robust, contrasts with core sector weakness
- **PLI schemes:** Production Linked Incentive; 14 sectors; designed to boost domestic manufacturing over 3-5 years

← NEWER ARTICLE
India Post FY2025-26 — Record ₹15,296 Crore Revenue and the...

OLDER ARTICLE →
DRDO's Prajna Satellite Imaging System — MHA Integration for...

RELATED EDITORIALS

INDIAN EXPRESS

India's Fertiliser Challenge — Breaking the Urea Import Trap

21 Apr

THE HINDU

India's LPG Strategic Vulnerability — The Hormuz Chokepoint Problem

21 Apr

THE HINDU

The Price of a War Far Above the Ground — Iran-Israel Conflict and India's Energy Stakes

21 Apr

HINDUSTAN TIMES

India's Russian Oil Bet: Strategic Autonomy Has a Price — and a Time Limit

19 Apr

RELATED KEY TERMS

KEY TERM

ACNAS

Advisory Committee on National Accounts Statistics — the expert body...

KEY TERM

Act East Policy

India's strategic foreign policy framework prioritising active...

KEY TERM

Agri-Photovoltaic

A dual land-use technology that integrates elevated solar panels with...

KEY TERM

Anti-Dumping Duty

A protective tariff imposed on imports sold below their normal value...

CURATED & WRITTEN BY

Bharat Choudhary

UPSC Educator & Content Creator

linkedin.com/in/epicbharat

📖 Read Full Article on Ujiyari →

https://ujiyari.com/daily/2026/04/22/core-sector-output-india-economic-slowdown/