

## Press Release

### Core sector sees sluggish growth

#### Fertilisers and electricity lead decline, while Cement remains a bright spot

June 24, 2025

Core sector growth remained weak at 0.7% YoY in May 2025, following a revised growth of 1.0% in April, the lowest in nine months. While cement, steel, coal, and refinery products posted moderate growth, continued contraction in crude oil, natural gas, fertiliser, and electricity weighed on the overall performance. Cumulative growth for April–May FY26 stood at just 0.8%, significantly slower than 6.9% during the same period a year ago. Despite the slow beginning of the year, the forecast of an above-normal monsoon by the IMD may provide a much-needed boost to rural consumption.

Here are our brief comments on each of the core industries:

**Coal** production (weight: 10.33%) improved at 2.8% in May'25 compared to the same month last year. Its cumulative index increased by 3.1% during April to May, 2025-26 over the corresponding period of the previous year. In May'25 the coal production reached 86.24 MT compared to 81.57 MT in Apr'25. The increase in the production was supported by higher output from captive and commercial mines. Improved mining activity, better operational efficiency, and favourable extraction conditions contributed to the overall uptick in production.

**Cement** production (weight: 5.37%) shows robust growth at 9.2% in May'25 as against May'24. Its cumulative index increased by 7.8% during April to May 2025-26 over the corresponding period of the previous year. In May'25, cement prices saw an increase across all regions which was mainly driven by an improvement in demand. Cement maintained its momentum with public and private capex looking towards infrastructure building. Output remained elevated following a strong April, boosted by elevated capacity utilisation and ongoing government-led capital expenditure.

**Electricity** generation (weight: 19.85%) declined by 5.8% from May'25 over May'24. Its cumulative index increased by 2.2% during April to May, 2025-26 over the corresponding period of the previous year. Power demand in the country fell 4.3% on-year in May to 149 billion units (BUs), compared with 155 BUs in the corresponding month last year, as average temperature during the month was unusually low amid "unseasonal rainfall" in several parts of the country.

**Natural Gas** production (weight: 6.88%) posted a downward growth of 3.6% in May'25 vs May'24. Its cumulative index declined by 2.3% during April to May, 2025-26 over the corresponding period of the previous year. The decline is attributed to underperformance of wells in the Panna and Vasai East fields, consumer shutdowns, closure of high producer wells, and delays in drilling and pipeline connections due to regulatory and right-of-way issues in key assets such as Tripura, Cauvery, Assam, and Johrat.

**Steel** production (weight: 17.92%) rose in May'25 by 6.7% compared to May'24. Its cumulative index increased by 5.5% during April to May, 2025-26 over the corresponding period of the previous year. India's Crude Steel production in May'25 rose by 9.5% YoY reaching to 13.51 MT while finished steel output climbed by 9.6% from the same month a year ago to around 13.15 million tons. The growth in domestic production comes amid a 200-day, 12% safeguard duty imposed on imported steel. The increase in production was supported by strong domestic demand and improved capacity utilization.

**Crude Oil** production (weight: 8.98%) saw a downward trend by declining at 1.8% in May'26 as compared to May'24. Its cumulative index declined by 2.2% during April to May, 2025-26 over the corresponding period of the previous year. While domestic production falling, India's import on crude oil is increasing as the imports reached record high of 23.32 MMT driven by continued availability at discounted prices compared to global benchmarks. Russia remained India's top supplier accounting for over 38% of the total import.

**Petroleum Refinery** production (weight: 28.04%) registered a growth of 1.1% in May'25 over May'24. Its cumulative index declined by 1.8% during April to May, 2025-26 over the corresponding period of the previous year. However, export volumes remained subdued amid weak global demand and elevated shipping costs, capping overall output momentum.

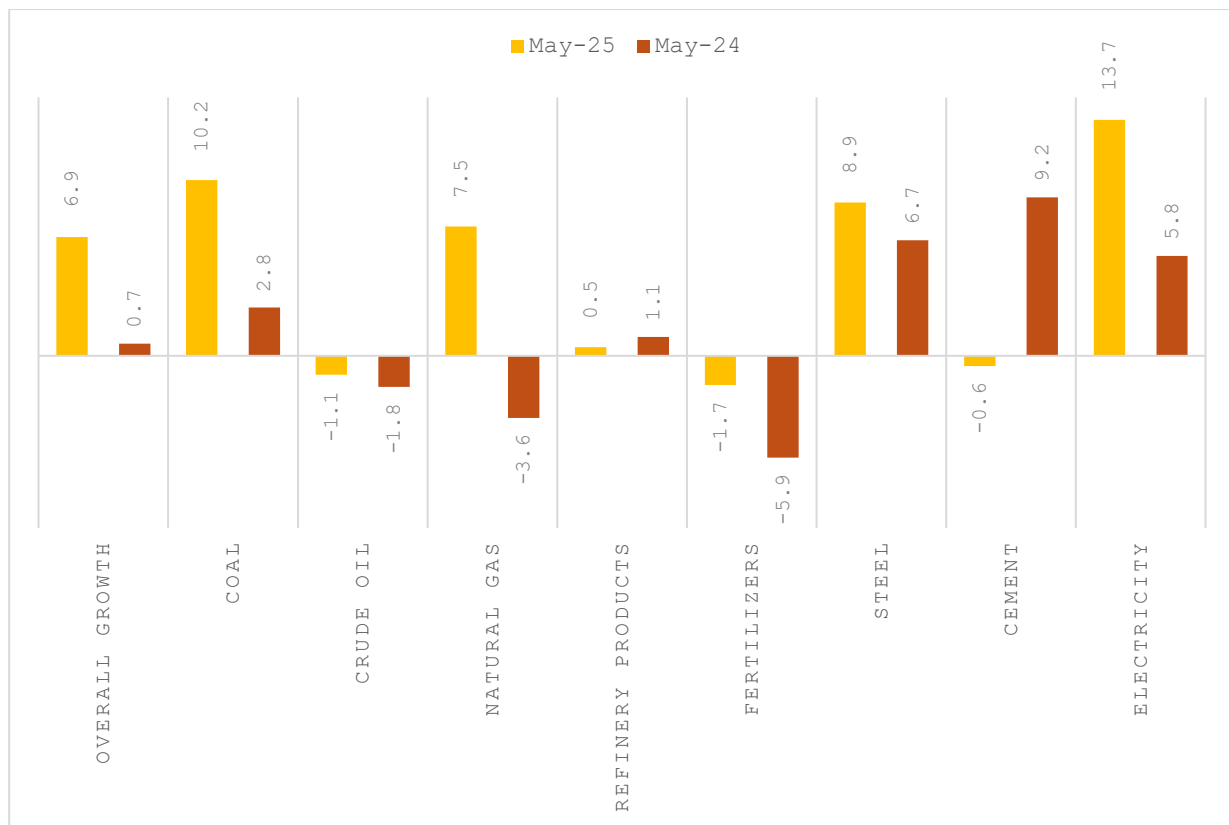
**Fertilizer** production (weight: 2.6%) posted a decline at 5.9% YoY in May'25. Its cumulative index declined by 5.1% during April to May, 2025-26 over the corresponding period of the previous year. The drop was driven by international supply chain constraints, especially rising costs of phosphate and potash, which impacted domestic production margins. Despite timely government allocations, muted demand due to early crops and affordability pressures weighed on offtake and output.

**Below is Acuite Ratings & Research Limited's comment:**

"The latest data on the Core Industries shows a tepid growth of 0.7% YoY in May 2025, printing a slower growth than the month before. While the uptick in sectors like Cement (9.2%) and Steel (6.7%) is encouraging buoyed by sustained infrastructure demand, the sharp contraction in electricity generation (-5.8%) and persistent declines in Crude Oil, Natural Gas, and Fertilizer production reflect structural headwinds in energy and input-intensive sectors. The core sector growth at the start of this fiscal has been significantly bogged down to 0.8% for April-May 2025 compared to 6.9% in the same period last year. The broad-based weakness in five out of eight sectors also signals the need to closely watch for a spillover into overall IIP and GDP growth.

Looking ahead, the monsoon trajectory and transmission of past rate cuts could offer some support to production and demand conditions. However, the drag from fossil-fuel-linked sectors suggests that focus must continue pivoting towards clean energy and capacity-building in core inputs. A more resilient and diversified industrial base will be critical to sustaining India's medium-term growth momentum."

**Chart 1: Core Sector Growth: May'25 vs May'24**



**Core Sector Heatmap: May'25 vs May'24**

Sector	Overall Growth	Coal	Crude Oil	Natural Gas	Refinery Products	Fertilizers	Steel	Cement	Electricity
May-24	6.9	10.2	-1.1	7.5	0.5	-1.7	8.9	-0.6	13.7
Jun-24	5.0	14.8	-2.6	3.3	-1.5	2.4	6.3	1.8	8.6
Jul-24	6.3	6.8	-2.9	-1.3	6.6	5.3	7.0	5.1	7.9
Aug-24	-1.5	-8.1	-3.4	-3.6	-1.0	3.2	4.1	-2.5	-3.7
Sep-24	2.4	2.6	-3.9	-1.3	5.8	1.9	1.8	7.6	0.5
Oct-24	3.8	7.8	-4.8	-1.2	5.2	0.4	5.7	3.1	2.0
Nov-24	5.8	7.5	-2.1	-1.9	2.9	2.0	10.5	13.1	4.4
Dec-24	5.1	5.3	0.6	-1.8	2.8	1.7	7.3	10.3	6.2
Jan-25	5.1	4.6	-1.1	-1.5	8.3	3.0	4.7	14.3	2.3
Feb-25	3.4	1.7	-5.2	-6.0	0.8	10.2	6.9	10.8	3.6
Mar-25	4.5	1.6	-1.9	-12.7	0.2	8.8	8.7	12.2	7.5
Apr-25	1.0	3.5	-2.8	-0.9	-4.5	-4.2	4.4	6.3	1.7
May-25	0.7	2.8	-1.8	-3.6	1.1	-5.9	6.7	9.2	5.8

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