

# Macro Insights

21<sup>st</sup> April 2026

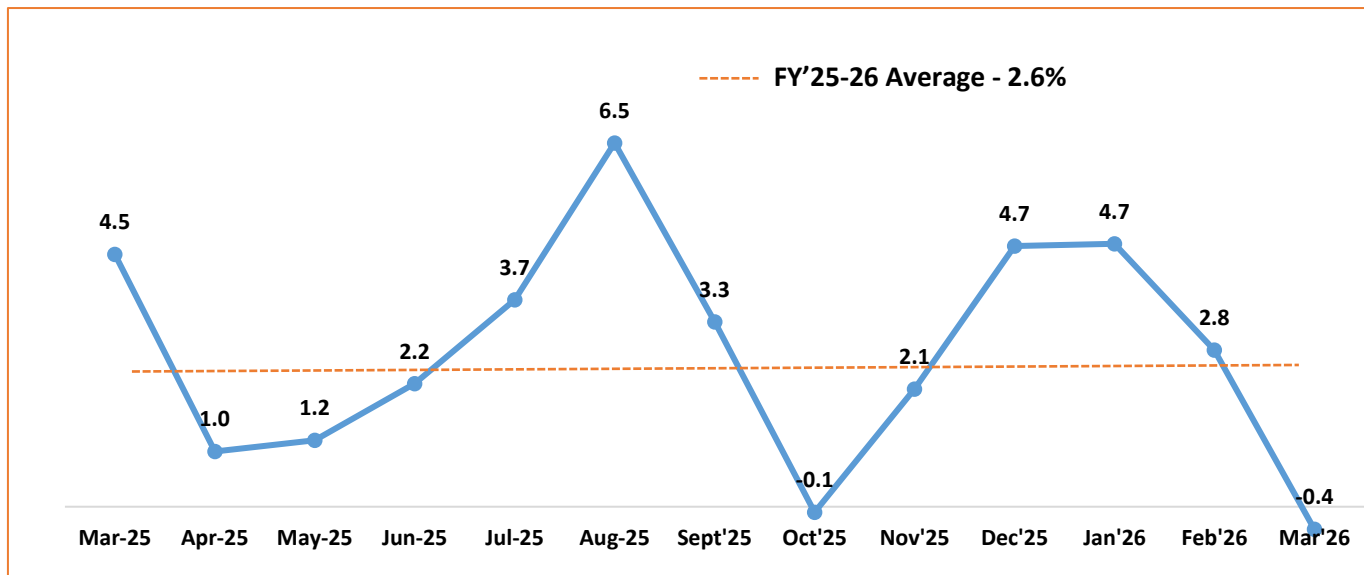
## India's Core sector contracted by 0.4 per cent in March'26.

Index of Eight Core Industries showed degrowth of 0.4 per cent in March'26 over March'25. It's lower than the 2.8 per cent growth registered in February'26.

## Highlights:

- ☞ India's core sector output contracted 0.4% year-on-year in March, marking its lowest level in 19 months.
- ☞ The decline was driven by a sharp decline in fertilizer production amid the West Asia conflict and weaker performance across energy-related industries
- ☞ Four sectors – Coal, Crude Oil, Fertilizers and Electricity showed degrowth in the month of March'2026.
- ☞ Other four sectors i.e. Natural Gas, Refinery products, Steel and Cement showed positive Y-o-Y growth.

**Eight Core Industries – March 2026 (YoY Growth in per cent)**



Source: Office of Economic Adviser

**Components of Eight Core Sector (YoY Growth in per cent)**

Sr. No	Sector	Weight	Mar-2025	Sept-2025	Oct-2025	Nov-2025	Dec-2025	Jan-2026	Feb-2026	Mar-2026
1	Coal	10.3	1.6	-1.2	-8.5	2.1	3.6	3.1	2.3	-4.0
2	Crude Oil	9.0	-1.9	-1.3	-1.2	-3.2	-5.6	-5.8	-5.2	-5.7
3	Natural gas	6.9	-12.7	-3.8	-5.0	-2.5	-4.4	-5.0	-5.0	6.4
4	Refinery Products	28.0	0.2	-3.7	4.6	-0.9	-1.0	0.0	-1.0	0.1
5	Fertilizers	2.6	8.8	1.6	7.4	5.6	4.1	3.7	3.4	-24.6
6	Steel	17.9	8.7	14.4	5.9	6.7	10.1	11.5	7.6	2.2
7	Cement	5.4	12.2	5.0	5.2	14.6	13.7	11.3	8.9	4.0
8	Electricity	19.8	7.5	3.1	-6.9	-1.5	6.3	5.2	2.3	-0.5
	<b>Overall Index</b>	<b>100.0</b>	<b>4.5</b>	<b>3.3</b>	<b>-0.1</b>	<b>2.1</b>	<b>4.7</b>	<b>4.7</b>	<b>2.8</b>	<b>-0.4</b>

Source: Office of Economic Adviser

**Views & Outlook:**

- The Eight Core Industries together account for 40.27 per cent of the weight in the Index of Industrial Production (IIP).
- The output contracted for the first time in five months, with four of the eight sectors recording a decline. Fertilizers production saw the sharpest drop of 24.6%, the steepest contraction in the 2011-12 base series. The gas supply to the fertilizer industry was reduced in March due to the Iran war. This is likely to have an adverse impact on fertilizer production even in April.
- Steel production's yearly growth though positive was low at 2.2 per cent in Mar'26 as compared to 7.6 per cent in Feb'26, while Cement production also declined to 4.0 per cent from 8.9 per cent in the previous month. This slowdown in yearly growth in steel and cement output suggests that construction activity slowed in March'2026.
- There was a rebound in Natural gas production, which posted positive yearly growth of 6.4 per cent in Mar'26 from negative growth registered in last one year. The growth was driven primarily by a recovery in domestic production levels and its role as a resilient transitional energy source amid broader supply chain volatility.
- Overall, core sector growth eased to a five-year low of 2.6% in FY26 compared with 4.5% in FY25.
- Ongoing geopolitical tensions, particularly in West Asia, have created challenges regarding the availability and cost of raw materials and energy inputs, impacting domestic industrial output.
- The contraction in core sector output acts as a drag on the broader industrial production. In the immediate months ahead, we expect muted industrial production as the economy navigates the energy supply chain disruptions. However, this is transitory volatility. The underlying investment cycle, particularly in infrastructure and high-value manufacturing, remains intact, suggesting that the industrial sector is positioned to rebound once energy input stability is restored.

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