Macro Insights

20th August 2025

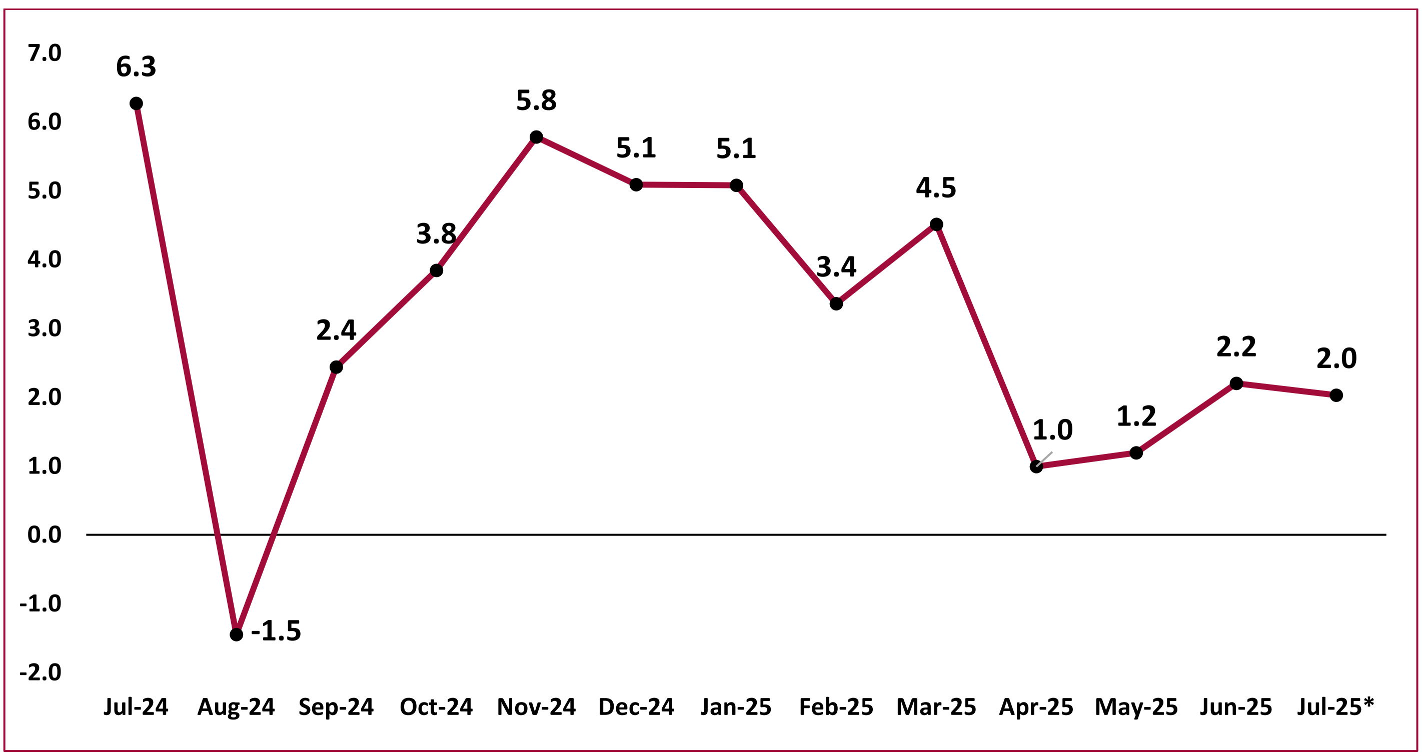
Core Sector growth moderated to 2.0% in July 2025

Growth in the Index of Eight Core Industries remained muted at 2.0% (YoY) in July 2025, vis-à-vis 2.2% in the previous month. The index had expanded by 6.3% in July last year.

Highlights:

- Four out of eight core sectors i.e. Coal, Crude Oil, Natural Gas, and Refinery Products accounting for 54% of the index weight, witnessed contraction in July 2025.
- On the upside, infrastructure-linked sectors Steel and Cement sustaining momentum, recording double-digit YoY growth of 12.8% and 11.7%, respectively.
- Fertilizer sector rebounded to register 2.0% YoY growth in July ’25 after three months of decline.
- Electricity output also turned positive (0.5%) following two months of contraction.

Eight Core Industries – July 2025 (YoY Growth in %)



***Provisional** | **Source: Office of Economic Adviser**

Components of Eight Core Sector (YoY Growth in %)

Sr. No	Sector	Weight	Jul-2024	Jan-2025	Feb-2025	Mar-2025	Apr-2025	May-2025	Jun-2025	Jul-2025*
1	Coal	10.3	6.8	4.6	1.7	1.6	3.5	2.8	-6.8	**-12.3**
2	Crude Oil	9.0	-2.9	-1.1	-5.2	-1.9	-2.8	-1.8	-1.2	**-1.3**
3	Natural gas	6.9	-1.3	-1.5	-6.0	-12.7	-0.9	-3.6	-2.8	**-3.2**
4	Refinery Products	28.0	6.6	8.3	0.8	0.2	-4.5	1.1	3.4	**-1.0**
5	Fertilizers	2.6	5.3	3.0	10.2	8.8	-4.2	-5.9	-1.2	**2.0**
6	Steel	17.9	7.0	4.7	6.9	8.7	4.4	7.4	9.7	**12.8**
7	Cement	5.4	5.1	14.3	10.7	12.2	6.3	9.7	8.2	**11.7**
8	Electricity	19.8	7.9	2.3	3.6	7.5	1.7	-4.7	-1.2	**0.5**
	Overall Index	**100.0**	**6.3**	**5.1**	**3.4**	**4.5**	**1.0**	**1.2**	**2.2**	**2.0**

Provisional **Source: *Office of Economic Adviser***

Views & Outlook:

- The Eight Core Industries comprise 40.3% of the weight of items included in the Index of Industrial Production (IIP).
- From April to July 2025, core sector growth stood at 1.6% (provisional) significantly lower than the corresponding period for the last two financial years, when the core sector growth was above 6%. It was on account of absence of private sector in capex due to heightened geo-political uncertainty.
- Among the sectors that witnessed contraction in July 2025, Coal contributed the highest with a sharp decline of 12.3% YoY, its steepest fall since June 2020. Crude oil production continued its downward trend for the 7th consecutive month, slipping by 1.3%. Natural gas output also fell by 3.2%, while petroleum refining reversed its brief recovery, contracting after 2 months of expansion.
- Meanwhile, the infra-linked sectors provided some support, as steel posted its fastest growth in 21 months, rising by 12.8%, while cement output expanded 11.7% to its highest in four months. Sustained momentum in steel and cement production is largely driven by robust public capital expenditure and strong housing demand.
- Muted growth in core sectors presents a mixed outlook for India's economic trajectory. However, a sequential recovery is anticipated as monsoon intensity subsides. The August–September period is expected to see energy output stabilization, steady construction and festival-related demand potentially lifting core-sector growth to around 4%. On the downside, the key risks include prolonged rainfall, refinery maintenance schedules, and subdued external demand.

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