7. Slow Down in Core Sector - Economy

Growth in eight core sectors activity slows to 3-month low of 3% in September 2025. India's eight core sectors grew only 3% in September 2025, the slowest in three months, mainly due to declines in coal, crude oil, natural gas, and refinery products, while steel, cement, and electricity continued to grow. The slowdown highlights sectoral vulnerabilities, infrastructure constraints, and the need for targeted policy interventions to ensure sustainable industrial growth.

India's Eight Core Sectors – September 2025 Slowdown

Context

Growth in India's eight core industries slowed to 3% in September 2025, the lowest in three months**.** The decline was mainly driven by four fuel-related sectors – coal, crude oil, natural gas, and refinery products. Fertilizer growth also moderated, reflecting pressures across industrial supply chains. Despite this, steel, cement, and electricity sectors showed positive growth due to sustained infrastructure demand.

Current Status of Core Sectors

1. Steel - Recorded a strong growth of 14.1%**,** driven by large-scale infrastructure projects and construction demand**.** Boosted by government initiatives like GatiShakti**,** PM Awas Yojana, and road development.

2. Cement - Grew by 5.3%**,** indicating steady construction activity and housing demand. However, rising fuel and power costs and regional saturation have started to moderate growth.

3. Electricity - Increased by 2.1%**,** showing stable energy consumption across industrial and residential users. Transition to renewable sources continues, though DISCOM financial stress and grid inefficiency remain issues.

4. Fertilizers - Growth of 1.6%**,** mainly supporting agricultural activities. However, high input cost, import dependency, and subsidy burden have affected momentum.

Declining Sectors

5. Coal - Output fell by 1.2%**,** compared to 11.4% growth in August 2025. Environmental regulations, declining domestic production, and mining safety concerns contributed to the fall.

6. Crude Oil - Declined by 1.3%**,** reversing the earlier month's growth. High import dependence**,** exploration challenges, and price fluctuations remain key constraints.

7. Natural Gas - Contracted by 3.8%**,** continuing a 15-month downward trend. Suffered from pipeline bottlenecks, reduced domestic output, and competition from renewables.

8. Refinery Products - Output declined by 3.7%**,** reversing 5.8% growth from September 2024. Hit by volatile global crude prices**,** environmental norms, and capacity utilization issues**.**

Understanding Core Sectors - The Eight Core Industries act as a barometer of industrial health**,** influencing overall GDP growth and **I**ndex of Industrial Production (IIP**)**. Together, they have a weight of about 40.27% in the IIP.

The Eight Core Sectors are - Coal, Crude Oil, Natural Gas, Refinery Products, Fertilizers, Steel, Cement, and Electricity.

Evolution of the Core Sectors

Period	Key Developments	Focus Areas	Challenges
1950s–1980s	State-led expansion in steel, coal, cement, fertilizers	Heavy industrialization, infrastructure building	Low efficiency, outdated technology
1991–2000s	Economic liberalization, private & foreign investments	Market reforms, global integration	Regulatory gaps, infrastructure deficit
2000s–Present	Sustainable energy focus, infrastructure boost	Clean energy, modernization	Environmental concerns, resource volatility
2025 (Current)	Mixed performance - slowdown in fuels, growth in steel/cement	Modernization & green transition	Price volatility, regulatory pressure

Challenges (Sector-Wise)

Coal - Declining domestic production and stricter environmental standards. Persistent mining safety **issues** and regulatory bottlenecks.

Crude Oil - High dependence on imports (over 85% of needs). Exploration delays, ageing wells, and exposure to global price swings.

Natural Gas - Pipeline infrastructure constraints and limited LNG capacity. Increased competition from renewable sources. Domestic output contraction for over a year.

Refinery Products - Volatile crude prices, capacity mismatch, and environmental compliance costs. Decline in export competitiveness due to global shifts to clean energy.

Fertilizers - High subsidy burden on government. Imported raw material dependence and logistics disruptions. Low diversification into nano- and organic fertilizers.

Steel - Strong demand but exposed to raw material price volatility. Need for decarbonization technologies and R&D investment.

Cement - Input cost escalation (fuel, power). Overcapacity in some regions and limited export markets.

Electricity - Transmission and distribution losses persist. DISCOM financial distress continues to slow investment. Renewable integration challenges in grid balancing.

Government Measures and Policies

1. Coal

Commercial Mining Reforms - Private participation to boost output and reduce imports.

Transparent Auction of Coal Blocks - Competitive bidding to improve efficiency.

Technology Upgradation - Coal PSUs (like CIL) modernizing equipment and safety.

Clean Coal Technologies - Investment in gasification and carbon capture.

Key Policies - Mines and Minerals (Amendment), Atma Nirbhar Bharat incentives.

2. Crude Oil

Open Acreage Licensing Policy (OALP) - Easier exploration access.

Disinvestment & Private Investment - For better efficiency in PSU oil companies.

Strategic Petroleum Reserves (SPR) - Expansion for energy security.

Ethanol Blending & Biofuels Promotion - To reduce import dependency.

Key Policies - Hydrocarbon Exploration Licensing Policy (HELP), National Bio-Energy Programme.

3. Natural Gas

One Nation One Gas Grid - Expanding national pipeline network.

Promotion of CNG and PNG - For cleaner urban fuel usage.

100% FDI - Under automatic route for gas infrastructure.

Target - Raise natural gas share in energy mix to 15% (from ~6.5%).

Key Policies - City Gas Distribution projects, National Gas Grid expansion.

4. Refinery Products

Refinery Modernization & Expansion - Focus on energy efficiency and clean fuels.

Green Hydrogen Promotion - Integration with refinery operations.

Bharat Stage VI Standards - Cleaner fuel norms to curb emissions.

Private Investment Incentives - For capacity expansion.

Key Policies - National Green Hydrogen Mission, PESO reforms.

5. Fertilizers

Direct Benefit Transfer (DBT) - For targeted subsidy delivery.

Urea Policy Revamp - Balanced nutrient use across NPK.

Revival of Closed Plants - Under Urea Policy 2015 to boost domestic production.

Nano & Organic Fertilizers - Encouragement of sustainable alternatives.

Key Policies - Nutrient Based Subsidy (NBS), Make in India for fertilizers.

6. Steel

PLI Scheme for Specialty Steel - Budget of ₹6,322 crore for domestic production.

National Steel Policy 2017 - Focus on reducing imports, enhancing capacity.

Support for R&D - Low-carbon steel innovations.
Infrastructure Demand Boost - Through PM GatiShakti and housing programs.
Key Policies - National Steel Policy, PLI Scheme.

7. Cement

Infrastructure Push - Through NIP, housing, metro projects.
Energy-Efficient Production - Encouraged under energy conservation norms.
Ease of Transport - Via multimodal logistics and GST benefits.
Key Policies - Infrastructure Pipeline Projects (NIP), Energy Conservation Building Code (ECBC).

8. Electricity

Renewable Expansion - Solar, wind, hydro investments under missions.
Smart Metering & Digital Grids - For efficiency and real-time monitoring.
Revamped Distribution Sector Scheme (RDSS) - DISCOM financial reforms.
Battery Storage & Grid Modernization - To support green energy integration.
Key Policies - UDAY, RDSS, National Solar Mission, Green Energy Corridors.

Way Forward

1. Strengthen Investment Climate - Maintain regulatory transparency and ease of doing business. Simplify approval processes to attract domestic and foreign capital.
2. Diversify Sectoral Growth - Move beyond service-sector dominance to expand manufacturing and green energy sectors. Target under-penetrated high-value industries.
3. Enhance Quality of Investment - Focus on technology-intensive and export-oriented projects. Encourage FDI that builds linkages with local industries.
4. Regional and Infrastructure Development - Improve industrial infrastructure in lagging states. Develop investment corridors and clusters for balanced regional growth.
5. Integration with Global Value Chains (GVCs) - Strengthen India's role in manufacturing networks and supply chains. Improve logistics, port, and rail connectivity for competitiveness.
6. Promote Sustainable Growth - Incentivize ESG-compliant investments, green hydrogen, electric mobility, and battery storage. Encourage clean manufacturing technologies across sectors.
7. Support Existing Investors - Build aftercare mechanisms for FDI retention. Enable reinvestment by current investors through grievance redress and expansion facilitation.
Source - https - //www.thehindu.com/business/Industry/growth-in-eight-core-sectors-activity-slows-to-3-month-low-of-3-in-september-2025/article70186296.ece