

**Press Release**  
**Expected moderation in Core Sector growth**  
**Full year growth set to be around 6.0%-6.5%**

**February 5, 2024**

The combined Index of Eight Core Industries (ICI) increased by a modest 3.8% in December 2023 which translates to a 14 month low output growth print. Given the unfavourable base of Dec-22, we expected a significant moderation in core sector growth and therefore the figure of 3.8% YoY vs 7.9% YoY in the Nov-23 is not surprising. Importantly, the sequential growth has been healthy at 5.9% MoM as against -3.3% MoM in Nov 23 and comprises broad based growth across all the eight segments of the core sector. Except Crude Oil, the production of Coal, Natural Gas, Steel, Fertilizers, Refinery Products, Cement and Electricity recorded healthy growth YoY in Dec-23 on a higher base.

ECI comprises 40.27 percent of the weight of items included in the Index of Industrial Production (IIP). The cumulative growth rate of ECI during the nine month period i.e. Apr-Dec'23 is 8.1% YoY which continues to reflect the high public investments in infrastructure and the robust demand for commodities like steel and cement.

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

- **Steel** production (weight: 17.9%) increased by 5.9% in Dec-23 vs Dec-22. Its cumulative index increased by a solid 13.3% during April to December, 2023-24 over corresponding period of the previous year. Higher demand for capital goods and automobiles also kept production growth up apart from infrastructure needs. Finished steel production in Dec-23 rose by 7.6% compared to the production recorded in the corresponding year-ago month. The output of finished steel stood at 11.9 million tonnes (MT) compared to the 11.1 MT output of Dec-22 .
- **Cement** production (weight: 5.4%) increased by a modest 1.3% YoY in Dec-23 over Dec-22 . But it is the only sector which saw a highest sequential growth of 18.7% MoM. Its cumulative index also increased by 9.2% during April to December, 2023-24 over corresponding period of the previous year.
- **Natural Gas** production (weight: 6.9%) increased by 6.7% in Dec-23 over Dec-22. Its cumulative index increased by 5.6% during April to December, 2023-24 over corresponding period of the previous year, reflecting a moderate recovery in indigenous production.
- **Fertilizer** production (weight: 2.6%) increased by 5.9% in Dec-23 over Dec-22. Its cumulative index increased by 6.2 % during April to December, 2023-24 over corresponding period of the previous year despite the weak agricultural growth which is estimated to be 1.8% in FY24 (E).
- **Petroleum Refinery** production (weight: 28.0%) increased by 2.7 % in Dec-23 over Dec-22 . It increased by 6.3% MoM.

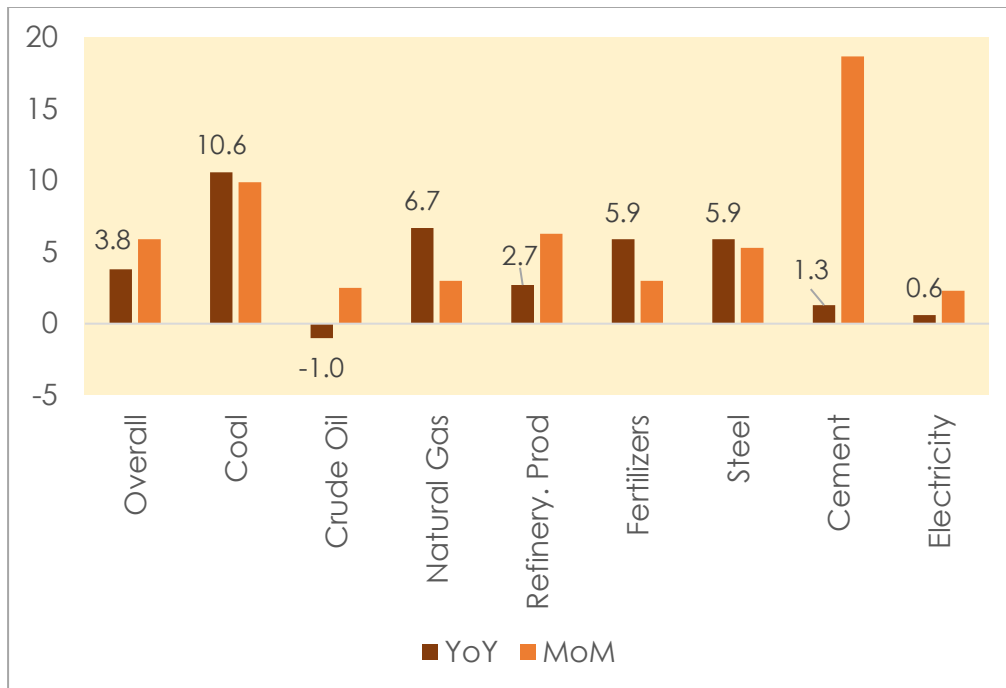
- **Crude Oil** (weight: 9.0%) production decreased by 1.0% in Dec-23 over Dec-22 being the only sector displaying negative performance. Its cumulative index declined by 0.3 % during April to December, 2023-24 over corresponding period of the previous year. India's indigenous crude production has seen a structural challenge over the last five years.
- **Electricity** generation (weight: 19.85%) increased by a modest 0.6 % in Dec-23 over Dec-22. However, its cumulative index increased by 6.9% during April to December, 2023-24 over corresponding period of the previous year.
- **Coal** production (weight: 10.33%) increased by a strong 10.6 % in Dec-23 over Dec-22, the only sector to witness annualised double digit growth. Its cumulative index increased by 12.5 % during April to December, 2023-24 over corresponding period of the previous year. Domestic coal production rose to 664.4 million tonnes in the current financial year as of Dec-23; coal dispatched moved up by 11.3 % to 692.8 million tonnes. Of this, 577.1 million tonnes of coal were supplied to the power sector, registering a growth of 8.4 % compared to the corresponding year-ago period.

Says **Suman Chowdhury, Chief Economist and Head – Research, Acuite Ratings & Research** “Given the unfavourable base of Dec-22, there was an expectation of a significant moderation in core sector growth in Dec-23 and therefore the figure of 3.8% YoY vs 7.9% YoY in the previous month is not surprising. Nevertheless, the sequential growth has been healthy at 5.9% YoY and comprises broad based growth across all the eight segments of the core sector. On a cumulative basis, the eight core industries (ECI) index has witnessed a strong 8.0% YoY growth in the Apr-Dec'23 period which continue to reflect the high public investments in infrastructure.

Coal has been one of the clear outperformers in the core sector with a 12.4% double digit cumulative output growth in the Apr-Dec'23 period. Steel and Cement sectors have continued to see robust production growth in the first nine months of the fiscal at 13.3% and 9.2% respectively, reflecting the increased demand from the infrastructure sector. Despite monthly variations, electricity generation has recorded a good growth of 6.9% in the same period. Except for crude oil output which saw a minor dip of 0.3%, every other core segment has notched up healthy output growth in the current fiscal.

Going ahead, the core sector growth may moderate further in the fourth quarter due to a less favourable base. We estimate core sector growth for the full fiscal to be in the range of 6.0%-6.5%, which would still be the highest growth in the last ten years excluding FY22/23 just after the Covid pandemic.”

**Chart 1: Annual and Sequential growth% in Core Sector in Dec-2023**



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