

## Press Release

### Modest YoY growth hides underlying strength in core sector 7.7% growth in core output in Apr-Jan'24 period

March 5, 2024

The combined Index of Eight Core Industries (ICI) increased at a moderate 3.6% YoY in Jan-24 which is a 15 month low print on an annualized basis. However, the base factor has played an important role in the moderation with the core output having grown by 9.7% YoY in the previous Jan-23. Sequentially, the core index grew by a healthy 2.2%. Except for Refinery Products and Fertilizers, the production of Coal, Natural Gas, Steel, Crude Oil, Cement and Electricity have recorded a positive annualised growth in Jan-24. In the ten month period of April 2023-January 2024, the core output growth has been strong at 7.7% YoY and reflects the positive impact of the step up in public investments in infrastructure.

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

- **Coal** production (weight: 10.33%) increased by 10.2% YoY in Jan-24. Its cumulative output has risen by a robust 12.2% during April to January, 2023-24 over corresponding period of the previous year. Coal output grew from 90.4 MT (million tonnes) in January 2023 to 99.7 MT in January 2024. The cumulative coal dispatch in the April-January period of fiscal year 2023-24 stood at 797.7 MT (provisional), implying a record coal production in the current fiscal.
- **Cement** production (weight: 5.4%) increased by 5.6% In Jan-24 over Jan-23. Its cumulative index increased by a strong 9.0% during April to January, 2023-24 over corresponding period of the previous year. Higher cement demand from the infrastructure sector has led to a strong volume growth in the current year.
- **Steel** production (weight: 17.9%) increased by 7.0% in Jan-24 vs Jan-23. Its cumulative output increased by 13.0% during April to January, 2023-24 over corresponding period of the previous year. Among the eight core sectors, steel has seen the highest growth in the current fiscal driven by buoyant demand from the infrastructure sector. A total of 113.8 MT of finished steel was produced during the ten months ended January 2024.
- **Natural Gas** production (weight: 6.9%) increased by 5.5% in January 2024 over January 2023. Its cumulative index increased by 5.5% during April to January, 2023-24 over corresponding period of the previous year. Domestic output of natural gas has seen a steady improvement in the current year.
- **Fertilizer** production (weight: 2.6%) declined by 0.6 per cent in January 2024 over January 2023. This is the first time in the current fiscal when fertiliser output has seen a slight contraction. However, its cumulative output has risen by 5.6% during April to January, 2023-24 over corresponding period of the previous year despite the impact of El Nino and the rainfall deficiency during the kharif season.
- **Petroleum Refinery** production (weight: 28.0%) declined by 4.4% in January 2024 over January 2023. Its cumulative index increased by 3.9% during April to January, 2023-24

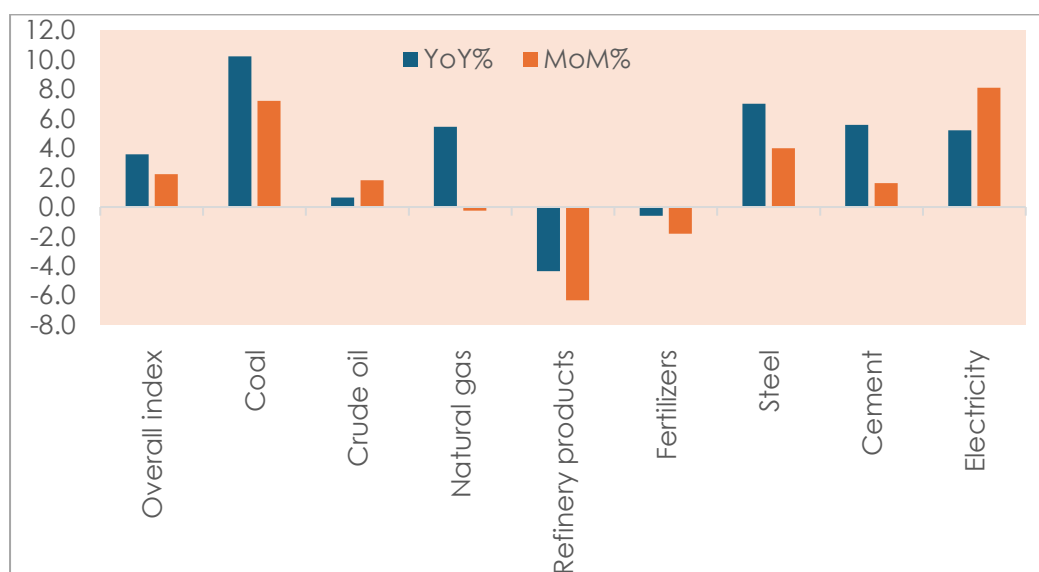
over corresponding period of the previous year. The volatility in exports and crude oil prices have led to the weaker output growth in the refinery sector. Given the highest weightage in the overall core sector, the weakness in the refinery sector constrains the overall growth.

- **Crude Oil** (weight: 8.98%) increased marginally by 0.6% in January 2024 over January 2023. Nevertheless, domestic crude oil production has continued to be weak and its cumulative output declined by 0.2% during April to January, 2023-24 over corresponding period of the previous year. Domestic crude oil production was at 24.5 million tonnes during April 2023-January 2024 registering a marginal decline compared to the first 10 months of last fiscal. Of this, ONGC's output fell by three per cent at 15.1 million tonnes from last year. Oil India, on the contrary, achieved its target of 2.8 million tonnes production for the period.

- **Electricity** generation (weight: 19.85%) rose by 5.2% in January 2024 over January 2023. Its cumulative index increased by 6.8% during April to January, 2023-24 over corresponding period of the previous year. Power sector has been one of the key drivers of the growth in the core sector in the post Covid period.

Says **Suman Chowdhury, Chief Economist and Head – Research** “Core sector performance has seen a visible uptick in the post Covid period driven by the consistent rise in public investments in infrastructure. From the start of the series (2011-12) to the pre Covid year (2019-20), the average growth in the core sector has been 3.5%. On the other hand, the average sector growth in the Covid and post Covid period (FY20-FY24, Apr-Jan) has been 4.4% despite the economic disruption that took place. In the current fiscal, the growth in the first ten months has stood at 7.7% and even factoring in some moderation in the next two months, the growth is likely to be around 7.0% in line with the NSO GDP growth estimates of 7.6% for FY24. Going ahead, the core sector along with the manufacturing sector is expected to be one of the key drivers of the economy over the medium term.”

**Chart 1: Annual and Sequential growth% in Core Sector in January 2024**



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