

Press Release

Core Sector remains a key growth driver Growth in core output robust at 7.7% in Apr-Feb'24 period

April 5, 2024

The combined Index of Eight Core Industries (ECI) grew strongly by 6.7% YoY in Feb-24 as compared to the revised figure of 4.1% YoY in Jan-24. This was the highest growth print for the core sector in the last three months on a not so favourable base (7.4% YoY in Feb-23). There was, however, a mild sequential contraction in the output which was on expected lines, given the shorter duration and lesser number of working days in the month. The growth was significantly broad based with an annualized contraction in only fertilizer output. In the eleven month period of Apr 2023 - Feb 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.

One of the driving forces behind such a step up in core sector growth was the continuing robust growth in coal production. Additionally, a sharp bounce back was witnessed in the hydrocarbon chain - natural gas and crude oil in particular. Steel and cement production also continued to witness a strong growth while power output growth improvement with the advancement of the summer months.

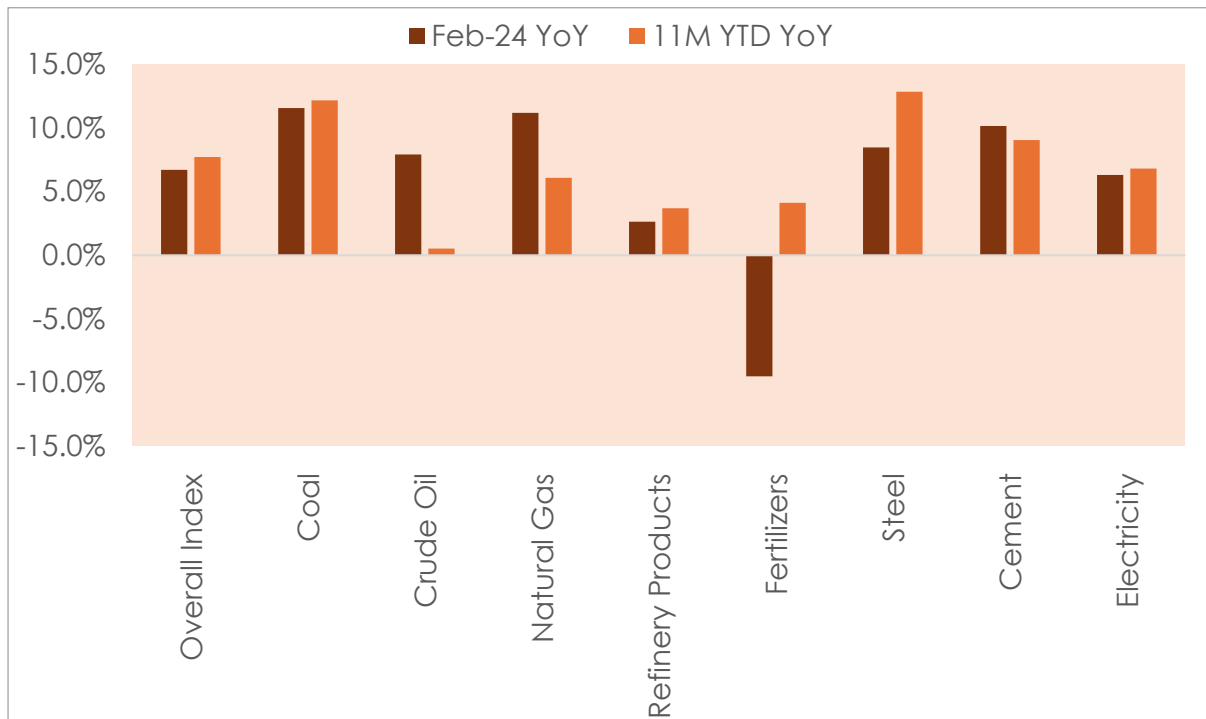
Here are our brief comments on each of the core segments:

- **Coal** production (weight: 10.33%) saw the highest annualized growth of 11.6% among the eight segments. The cumulative output rose by 12.2% during Apr-Feb'24 over the corresponding period of the previous year. The cumulative coal dispatch climbed over 11% to 882.4 MT from 794.4 MT in the corresponding period of the previous year. Higher domestic production has helped to reduce the dependence on coal imports in FY24.
- **Cement** production (weight: 5.4%) grew sharply by 10.2% in Feb-24 over 5.6% in Jan-24. The cumulative cement production rose by 9.0% YoY for the Apr-Feb'24 period. Strong cement demand from the infrastructure sector has led to strong volume growth in the current year.
- **Steel** production (weight: 17.9%) witnessed a growth of 8.5% YoY. While its cumulative output increased by 12.9% in Apr-Feb'24 vs that in last fiscal. Among the eight core sectors, steel has seen the highest growth in the current fiscal driven by buoyant demand from the infrastructure sector.
- **Natural Gas** production (weight: 6.9%) recovered strongly through 11.2% YoY growth in Feb-24. The cumulative index for natural gas surged up by 6.1% YoY in April – February 2023-24. With the focus of the government on cleaner fuels, the demand and consumption of natural gas has seen steady growth, driving increased exploration activities and output.

- **Fertilizer** production (weight: 2.6%) declined significantly by 9.5% on Feb-24 as compared to the same month of the previous year. This is the second month in the current fiscal when fertiliser output has seen a contraction. However, its cumulative output has risen by 4.1% YoY during April to February, 2023-24 despite the impact of El Nino and the rainfall deficiency during the kharif season.
- **Petroleum Refinery** production (weight: 28.0%) witnessed a slight growth of 2.6%, in Feb'24 over Feb'23. Its cumulative index increased by 3.9% during April to February, 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** production (weight: 8.98 per cent) increased by 7.9 per cent in Feb-24 over Feb-23. Nevertheless, domestic crude oil production has continued to be weak and its cumulative output increased marginally by 0.5% during April to February, 2023-24 over corresponding period of the previous year. Total domestic production stood at 2.3 million tonnes (MT) in February.
- **Electricity** generation (weight: 19.85%) increased by 6.3% in February 2024 over February 2023. Domestic power consumption grew over 8% to 127.8 billion units in February 24, vs February 23. Since FY25 is a leap year, the growth rate of power consumption was a bit higher as compared to the previous years for the month of February. Its cumulative index increased by 6.8% during April to February, 2023-24 over corresponding period of the previous year. The sector has been one of the key drivers of the growth in the core sector in the post Covid period supported by warmer weather particularly during the summer months.

Says **Suman Chowdhury, Chief Economist and Head – Research** “In the post Covid period, core sector output has seen a strong uptick driven by the consistent rise in public investments in infrastructure and has turned out to be an important element in India's growth story. 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-Feb) has been 4.4% despite the economic disruption that took place. In the current fiscal, the estimated growth is likely to be over 7.0% in line with the NSO GDP growth estimates of 7.6% for FY24. Clearly, 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: Monthly and cumulative output growth in Core Sector in February 2024



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