

Press Release

Core remains in a steady trajectory

Sequential contraction primarily due to the seasonal post festival fatigue

January 2, 2024

The output growth of eight core industries (ECI) has moderated to 7.8% YoY in Nov-23 from 12.0% YoY in October 2023. Sequentially, the core sector index dropped by 3.3% which may largely reflect the fatigue in economic activity post festive season. Cumulatively, the growth of the core sector output in April-Nov'23 stands healthy at 8.6% YoY as compared to the corresponding period of last year. ECI comprises 40.27 percent of the weight of items included in the Index of Industrial Production (IIP).

While the reported growth print is the lowest in the last six months, the production of the six segments under core sector has reported a healthy annualized growth except for crude oil and cement where there has been a marginal contraction. .

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

- **Steel** production (weight: 17.92%) increased by 9.1% YoY but dropped by 2.4% MoM. Finished steel production in November 2023 was higher by one million tonnes compared to the production recorded in the corresponding year-ago month. On a cumulative basis, during April-Nov'23, finished steel production rose by 13.1% YoY, reflecting the strong demand for the commodity.
- **Cement** production (weight: 5.37%) decreased by 3.6% in Nov'23 over Nov'22. However, its cumulative index increased by 10.3% during April to November, 2023-24 over corresponding period of the previous year, indicating strong underlying demand for the product.
- Natural Gas production (weight: 6.88%) increased by 7.5% YoY in Nov'23. Its cumulative index increased by 5.4% during Apr-Nov, FY 2023-24 over corresponding period of the previous year.
- **Fertilizer** production (weight: 2.63%) increased by 3.3% YoY in Nov'23. The total fertilizer production reached an impressive 30.4 million tons by November 2023, with urea leading the way at 20.9 million tons, followed by NPKs at 6.5 million tons, and DAP contributing 3.1 million tons.
- **Petroleum Refinery** production (weight: 28.04%) increased by 12.4% YoY and 4.4% MoM.
- **Crude Oil** (weight: 8.98%) production decreased by 0.4% YoY and 3.7% MoM. Its cumulative output declined by 0.2% YoY during April to November, 2023-24 over corresponding period of the previous year.
- **Electricity** generation (weight: 19.85%) increased by 5.6% YoY but dropped significantly by 13.6% MoM. Its cumulative output increased by 7.7% during April to November, 2023-24 over corresponding period of the previous year. November has often recorded double-digit fall in electricity consumption. Electricity consumption

tends to pick up towards the end of December, in response to dipping temperatures as well as the onset of festivities for Christmas and New Year.

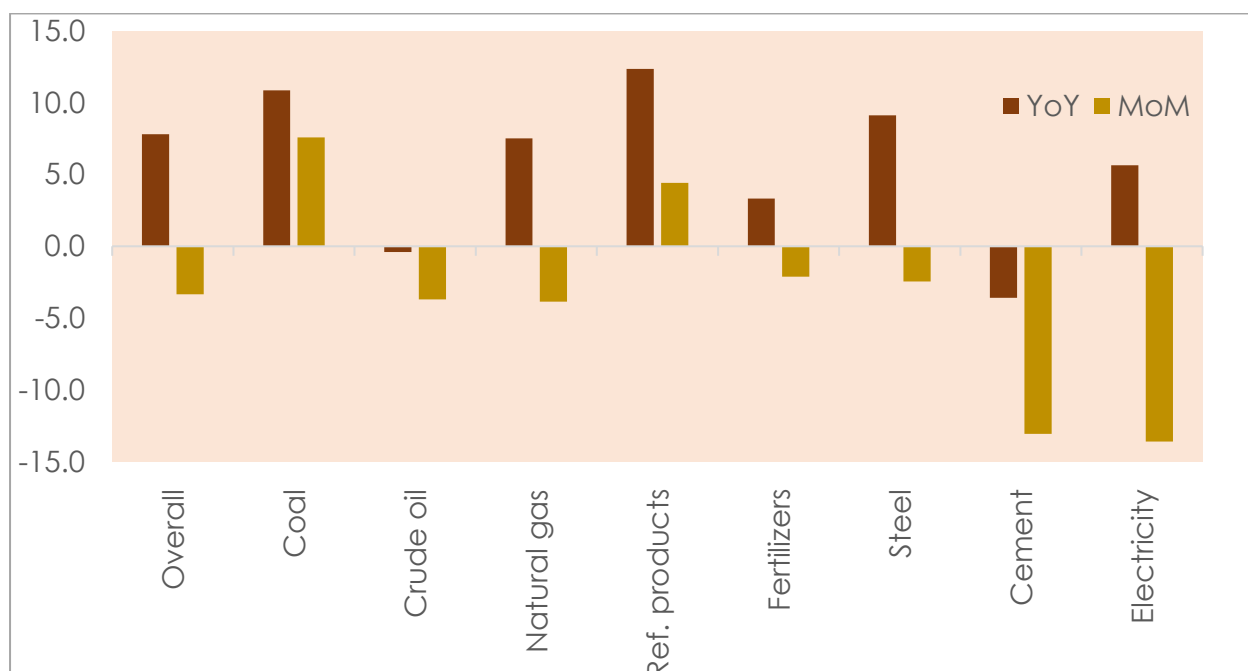
- **Coal** production (weight: 10.33%) increased by 10.9% in Nov'23 vs over Nov'22. The total coal production in India rose by 11 per cent to 84.5 million tonnes (MT) in November, compared to the 76.1 MT in the same month of the previous fiscal year. Cumulatively, coal output has seen a solid double digit growth of 12.8% YoY in the Apr-Nov'23 period.

Says **Suman Chowdhury, Chief Economist and Head – Research, Acuite Ratings & Research** “Expectedly, there has been a moderation in core sector growth as the base factor has started to catch up. The differential in the economic activity during Oct & Nov can be attributed to the festival dates and the seasonality attached to it. On a cumulative basis, the eight core industries (ECI) index has witnessed a strong 8.6% YoY growth in the Apr-Nov'23 period which continue to reflect the high public investments in infrastructure. While the seasonality factor post festive season has led to a sequential contraction in many of the segments, all of them except crude oil and cement output has seen a healthy annualized growth in the month of Nov-23.

On a cumulative basis, the highest growth in the current fiscal continue to accrue from steel, coal, cement and the electricity sector. Higher demand for electricity and lower imports of coal have translated into higher demand for domestic coal; with CIL taking steps to augment coal production, the supply has also increased.

Going ahead, the core sector growth in the next few months may moderate further 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 Nov-2023



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