

Press Release

Moderation in Core Sector Growth in Sep-23

Infrastructure projects will continue to hold up core sector growth at mid-single digits

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The output growth of eight core industries (ECI) stood at 8.2% YoY in Sep-23 as compared to 12.1% YoY in Aug-23. Sequentially, the core sector index dropped by 4.8% whereas had risen by 2.9% in August 2023. For April-Sep'23, the core industries output grew by a healthy 7.8 per cent (provisional) as compared to 9.8 per cent in the same period last year. The Eight Core Industries comprise 40.27 percent of the weight of items included in the Index of Industrial Production (IIP).

Except for Crude Oil, all the other seven industries - Coal, Steel, Electricity, Natural Gas, Refinery Products, Cement, and Fertilizers recorded a healthy annualised growth in Sep-23 over the corresponding month of last year. Coal output continues to display robust growth of 16.2%, higher than the 12.1% seen in September last year albeit slightly lower than the 17.9% growth seen in Aug-23. Despite high oil prices, India's crude oil output continues to languish, dropping by 0.4% and 4.5% respectively on a YoY and MoM basis respectively.

Coal production (weight: 10.33%) increased by 16.2% YoY being the highest contributing core sector in September 2023. Coal India reported a growth of 11.8 per cent and Singareni Collieries Company registered an 8.45 per cent growth in production. Captive and commercial coal miners registered a strong 20 per cent growth in coal output.

Steel production (weight: 17.92%) increased strongly by 9.7% YoY this September albeit it dropped by 1.1% MoM. Finished steel production in Sep-23 was higher by 1.2 million tonnes compared to the production recorded in the corresponding month last year,

Electricity generation (weight: 19.85%) increased by 9.3% over Sep-22 but it dropped by a considerable 7.1% sequentially, given the peak in power demand in Aug-23 due to high rainfall deficiency.

Cement production (weight: 5.37%) increased by 4.7% YoY and dropped by 8.4% MoM. Its cumulative index increased by 11.5% during the first half of the current year.

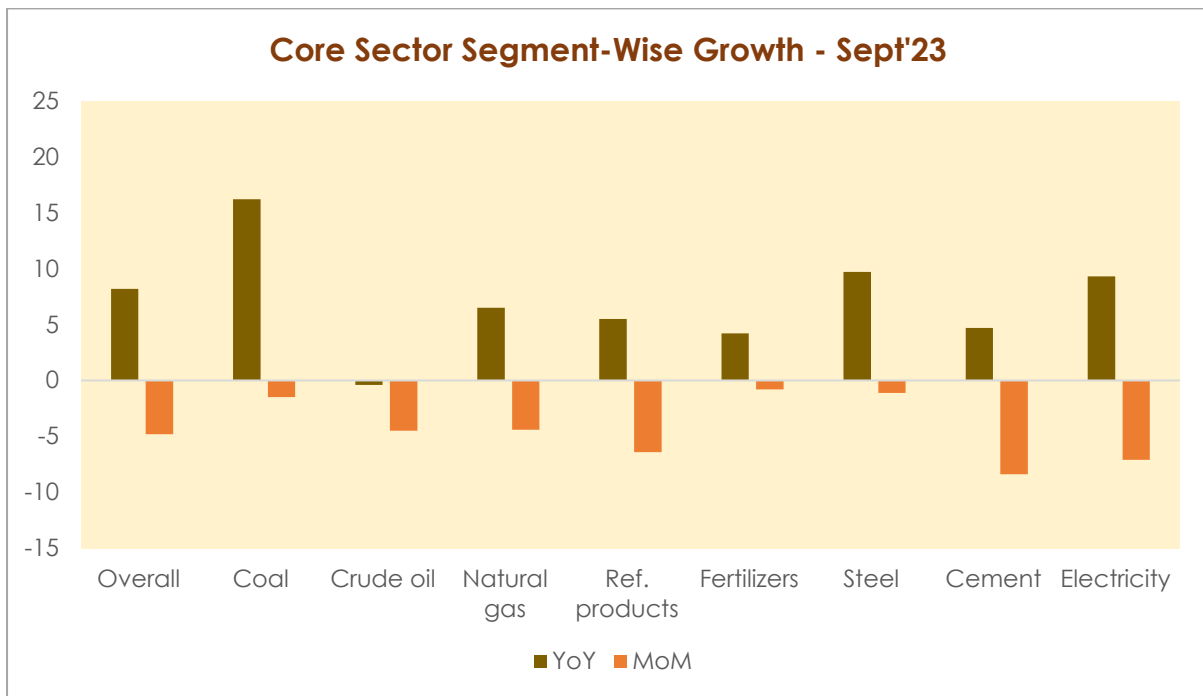
Fertilizer production (weight: 2.63%) increased by 4.2% annually and sequentially, it dropped by 0.8%.

Natural Gas production (weight: 6.88%) increased by 6.5% YoY but dropped by 4.4% MoM. Petroleum Refinery production (weight: 28.04%) increased by 5.5% annually and dropped by 6.4% sequentially.

Crude Oil (weight: 8.98%) is the only industry which remained in the negative domain in terms of domestic output. India produced a total of 2.4 million metric tonnes (MMT) of crude oil in Sep-23 according to PPAC.

Says **Suman Chowdhury, Chief Economist and Head – Research** “While the overall economy including the core sector has seen a solid momentum in the first half of FY24 partly supported by the base factor and the significant public expenditure in infrastructure, there are signs of a growth moderation in the second half of the year. Weaker rural demand may have an impact on core and industrial activity. In the short run, the Israel – Hamas conflict may also impact specific core industries such as petro-products and fertilizers.”

Chart 1: Annual and sequential growth in core sector in Sep-2023



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