

Macro Insights

30th March 2024

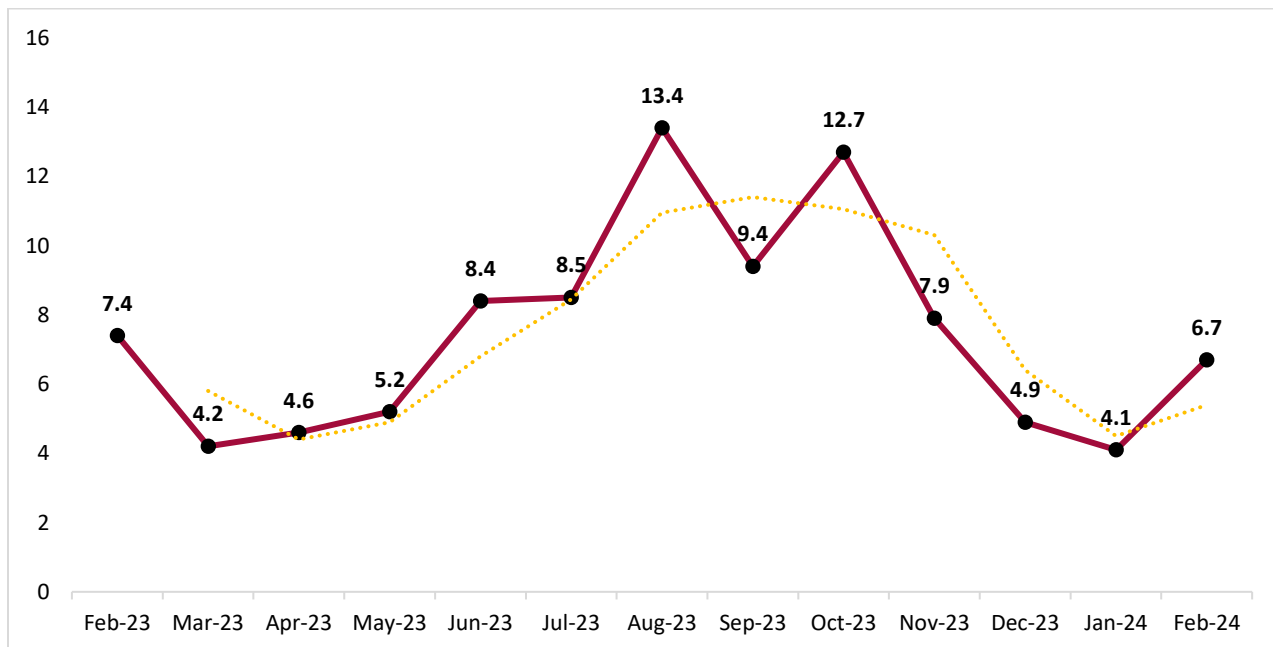
Highlights:

Core Sector growth rebounds to 6.7% in February'24.

The Index of Eight Core Industries increased by 6.7% y-o-y in February 2024 vis-à-vis 4.1% in the previous month and 7.4% in the same month last year. Growth in the index bounced back after remaining tepid for the past three months.

- During February'24, double-digit growth was seen in sectors of coal (11.6%), natural gas (11.3%) and cement (10.2%), while output grew in the other sectors like crude oil (7.9%), refinery products (2.6%) and electricity (6.3%) as well.
- Fertilizers was the only sector which witnessed a contraction in output by 9.5% in February 2024 compared to 22.2% growth witnessed in February 2023.

Eight Core Industries– February'24 (YoY Growth in %)



Source: Office of Economic Adviser

Components of Eight Core Sector (YoY Growth in %)

Sr. No	Sector	Weight	Feb-23	Dec-23	Jan-24	Feb-24
1	Coal	10.3	9.0	10.7	10.2	11.6
2	Crude Oil	9.0	-4.9	-1.0	0.7	7.9
3	Natural gas	6.9	3.1	6.6	5.5	11.3
4	Refinery Products	28.0	3.3	4.0	-4.3	2.6
5	Fertilizers	2.6	22.2	5.8	-0.6	-9.5
6	Steel	17.9	12.4	7.6	8.7	8.4
7	Cement	5.4	7.4	3.8	5.7	10.2
8	Electricity	19.9	8.2	1.2	5.7	6.3
	Overall Index	100.0	7.4	4.9	4.1	6.7

Source: Office of Economic Adviser

Views & Outlook:

- Despite a high base, key sectors of steel, cement, coal, electricity witnessed substantial growth in output in February 2024 vis-a-vis their performance in the same month last year- indicating a renewed thrust on infrastructure creation.
- Construction and Auto sectors have been performing particularly well- leading to demand for steel and cement.
- Fertilizer sector has witnessed de-growth for the past two months owing to the harvest season which generates lower demand for fertilizers.
- Going forward, the Index of Industrial Production (IIP) is expected to receive a significant boost from the eight core index- which constitutes 40.7% of the IIP.
- Core sector growth is expected to improve further as private capex picks up in the coming quarters with improving business sentiments as indicated by the PMI numbers.

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