

Macro Insights

30th September 2024

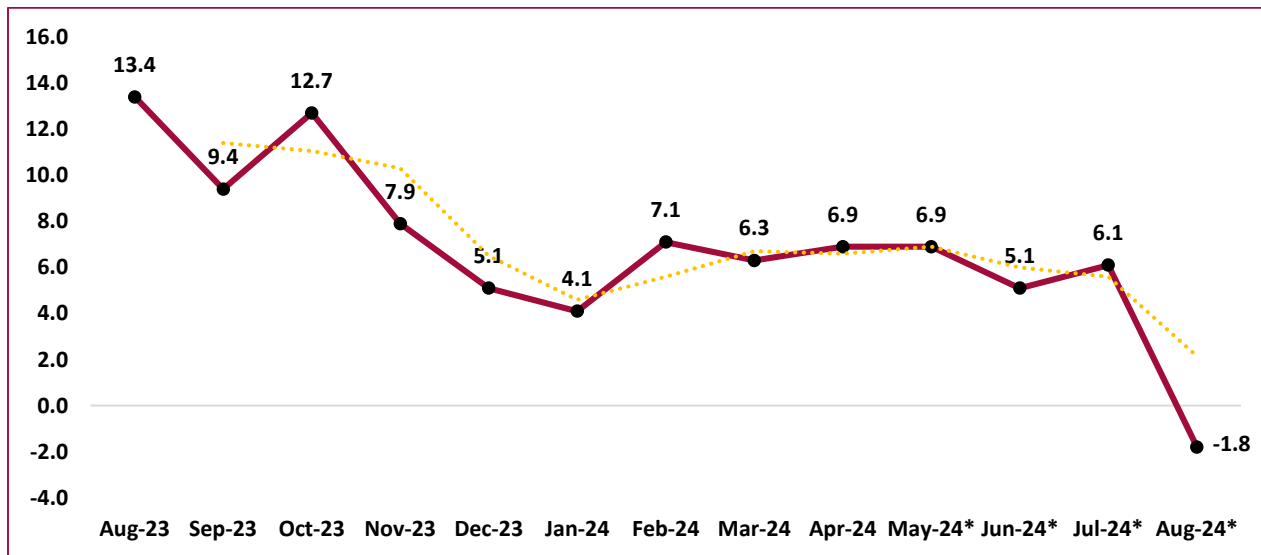
Highlights:

Core Sector contracted by 1.8% in August 2024.

Growth in the Index of Eight Core Industries declined to 1.8% y-o-y in August 2024 vis-à-vis 6.1% in the previous month. The index had expanded 13.4% in August last year.

- ☞ Output in the sectors of Steel and Fertilizers recorded positive growth of 4.5% and 3.2% in August 2024.
- ☞ However, both sectors of Steel and Fertilizers experienced slowdown in growth as compared to previous month.
- ☞ Production in sectors of Coal, Crude oil, natural gas, Refinery Products, Cement and Electricity witnessed contraction in August 2024.

Eight Core Industries – August 2024 (YoY Growth in %)



*Provisional

Source: Office of Economic Adviser

Components of Eight Core Sector (YoY Growth in %)

Sr. No	Sector	Weight	Aug-23	Apr-24	May-24*	Jun-24*	Jul-24*	Aug-24*
1	Coal	10.3	17.9	7.5	10.2	14.8	6.8	-8.1
2	Crude Oil	9.0	2.2	1.7	-1.1	-2.6	-2.9	-3.4
3	Natural gas	6.9	10.0	8.6	7.5	3.3	-1.3	-3.6
4	Refinery Products	28.0	9.5	3.9	0.5	-1.5	6.6	-1.0
5	Fertilizers	2.6	1.8	-0.8	-1.7	2.4	5.3	3.2
6	Steel	17.9	16.4	9.8	8.9	6.7	6.4	4.5
7	Cement	5.4	19.7	0.2	-0.6	1.9	5.5	-3.0
8	Electricity	19.9	15.3	10.2	13.7	8.6	7.0	-5.0
	Overall Index	100.0	13.4	6.9	6.9	5.1	6.1	-1.8

*Provisional

Source: Office of Economic Adviser

Views & Outlook:

- Growth in the core sector has slowed due to excess rainfall, disrupting production and industrial activity across the country. There was a decline in coal, crude oil, natural gas output, refinery products and a contraction in electricity generation.
- The decline in these sectors was further accentuated by an elevated base, contributing to the overall slowdown in the headline figures. The extended monsoon slowed down construction activities, negatively impacting the cement sector.
- Growth in the fertilizer sector reflects efforts to capitalize on the favorable monsoon for both Kharif and Rabi crops. However, the slowdown indicates that crop production has also been affected by the above-normal monsoon.
- Positive growth in steel production may be attributed to inventory accumulation by the automobile sector in anticipation of the festive season.
- Based on the core index's performance in August, the Index of Industrial Production (IIP) is expected to remain subdued, particularly due to the recent slowdown in manufacturing activity.

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