

Macro Insights

2nd November 2023

Highlights:

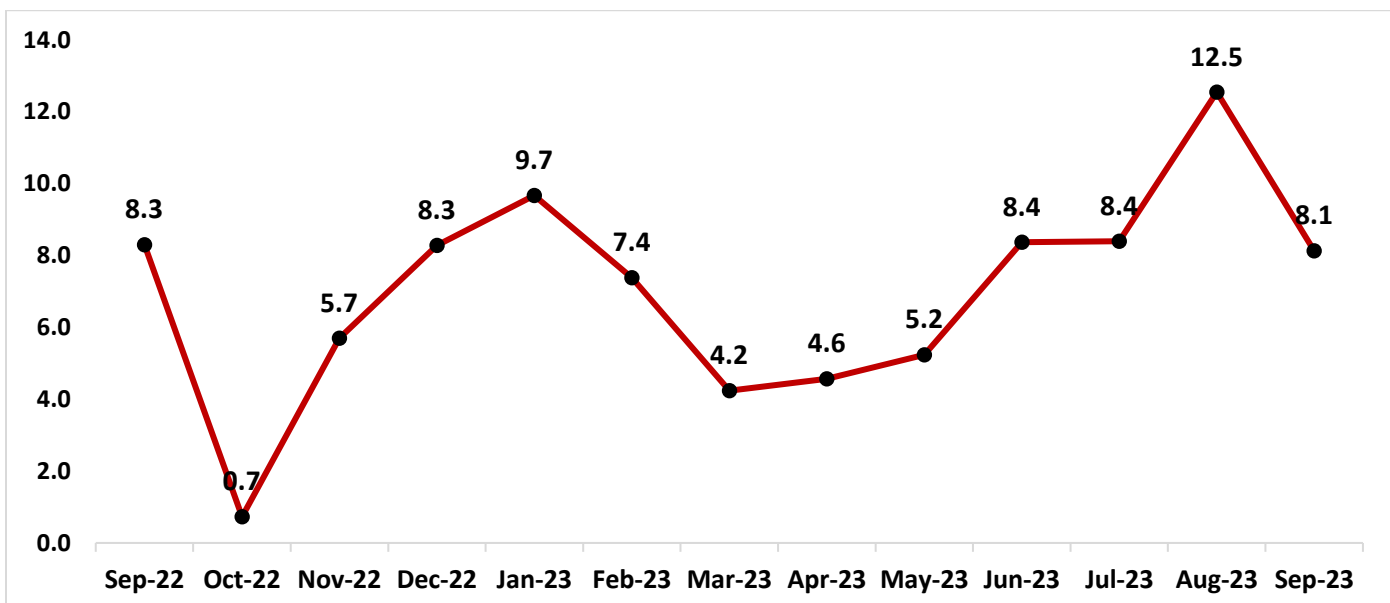
Core Sector growth at a robust 8.1%

The Index of Eight Core Industries recorded a substantial growth of 8.1% year-on-year, although it was slightly lower than the growth of 8.3% registered in September 2022.

Growth in the index was driven by the sectors of coal, steel, and electricity.

- ☞ Coal output registered the highest growth at 16.1% yoy in September 2023. It was followed by 9.6% growth in the steel sector and 9.3% growth registered in the electricity sector.
- ☞ Output in the crude oil sector, however, contracted by 0.4% yoy in September 2023, vis-à-vis an expansion of 2.1% in the previous month.
- ☞ While compared to August 2023, seven sectors recorded lower yoy growth in September 2023, the fertilizer sector grew at 4.2% yoy in September 2023 vis-à-vis 1.8% in the previous month.

Eight Core Industries– September'23 (YoY Growth in %)



Source: Office of Economic Adviser

Components of Eight Core Sector (YoY Growth in %)

Sr. No	Sector	Weight	Sep-22	Jul-23	Aug-23	Sep-23
1	Coal	10.33	12.1	14.9	17.9	16.1
2	Crude Oil	8.98	-2.3	2.1	2.1	-0.4
3	Natural gas	6.88	-1.7	8.9	10.0	6.5
4	Refinery Products	28.04	6.6	3.6	9.5	5.5
5	Fertilizers	2.63	11.8	3.3	1.8	4.2
6	Steel	17.92	7.7	14.2	12.4	9.6
7	Cement	5.37	12.4	6.9	19.3	4.7
8	Electricity	19.85	11.6	8.0	15.3	9.3
	Overall Index	100.00	8.3	8.4	12.5	8.1

Source: Office of Economic Adviser

Our View and Outlook:

- Core sector growth has been on an uptrend since March 2023. While the expansion in the index for the month of September 2023 at 8.1% yoy may seem lower compared to that of 12.5% yoy growth registered in August 2023, this growth is on a high base.
- Further, a robust growth in the core index is also expected to contribute substantially to growth in the IIP, where it constitutes almost 40.3%.
- Going forward, we expect core sector output to register an average growth 8.5-9.0 percent in the short term.

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