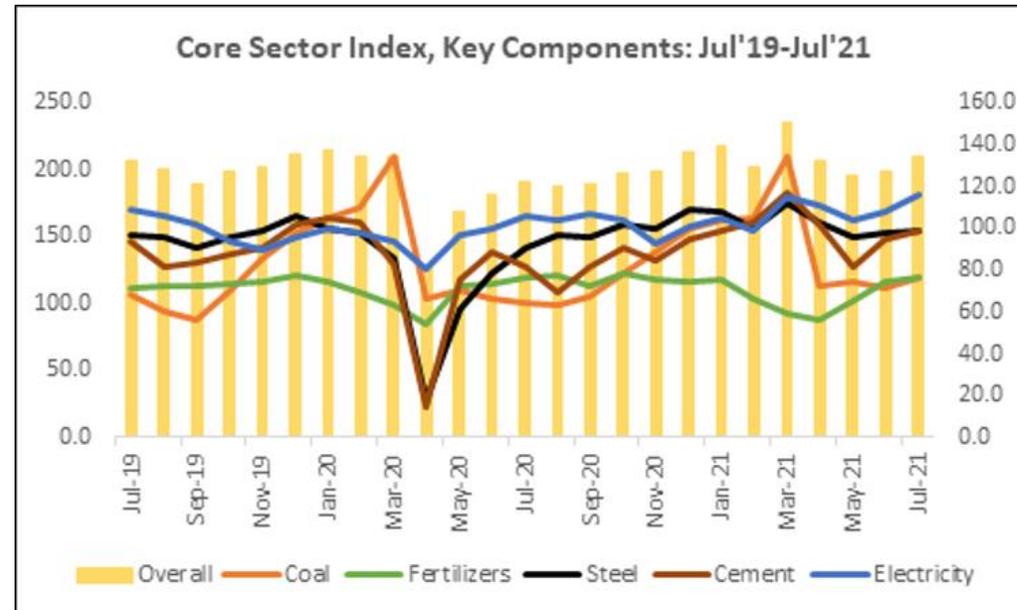


A photograph of an industrial facility, likely a refinery or chemical plant. The image shows several large, cylindrical metal silos or storage tanks. A bright light source, possibly the sun, is visible on the left side, creating a strong lens flare effect. The sky is a hazy, light color. The overall scene is industrial and somewhat atmospheric.

**Comments on :
Core Sector Data July 2021**

Steady recovery in the core infrastructure sector



- India's core sector output inched up to 9.4% YoY in July-21, indicating a steady pick-up in industrial output amidst removal of lockdown restrictions.
- Sequentially, the core sector output grew by 5.8%MoM with broad based expansion recorded in all eight industries.
- The output of steel, cement and power segment continue to remain healthy highlighting a steady pickup in infrastructure sector buoyed by a step up in government capital expenditure.

Core sector output near the pre-pandemic levels

- While the average output in the core sector (as reflected by the core index) is still 2.8% lower in Apr-Jul'21 period as compared to the pre-pandemic period (Apr-Jul'19), the gaps have reduced.
- Except for crude oil and refinery sector, the output in the first four months of the current year in the other sectors viz steel, cement, electricity, and natural gas are either slightly higher or at similar levels in FY20. This gives rise to the expectation that the core sector output will exceed the pre-pandemic levels over the next 1-2 months
- Interestingly, coal production improved significantly posting a double-digit expansion of 18.7% YoY, despite being a seasonally weak month. With manufacturing activities gathering momentum and strong power demand, we expect a pickup in domestic coal production.
- We believe that swift progress in the PLI programme along with the recently unveiled 'National Monetization Pipeline' in tandem with 'National Infrastructure Pipeline' will provide a structural momentum to new investments in the infrastructure sector and bolster core sector performance over the medium term.
- With declining risks of a fresh pandemic disruption, core sector output has the potential to grow by over 8.0%YoY in FY22.