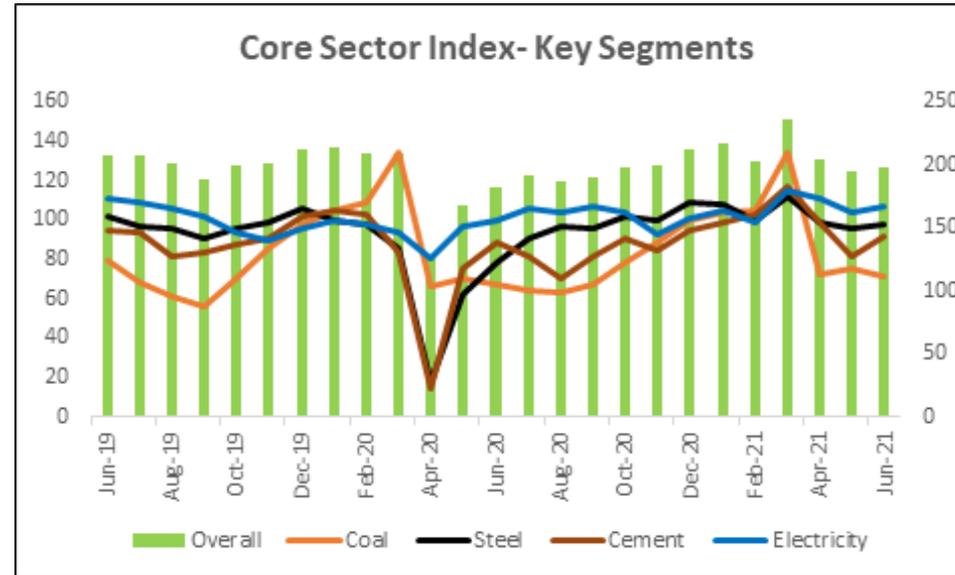




**Comments on:
Core Sector Data – June'21**

Gradual recovery in the core industrials post Covid 2.0



- Jun-21 core sector print indicates that the key industrial sectors are witnessing a gradual output recovery after the taper down of the second wave of Covid.
- While the overall core sector index was higher by 8.9%YoY, it also showed a moderate positive sequential growth of 1.1% after declining for two months in April and May.
- Out of the eight core sector industries, only two i.e. coal and refined petroleum products have shown a sequential contraction but the average sequential growth has been 6.1% for the other six industries.

Steel, cement and power output growth reflect recovery in infrastructure capex

- Steel and cement continues to be the consistent outperformers among the core industries with healthy annualised and sequential growth in production.
- Along with steel and cement, a steady uptick in power generation highlights a healthy recovery for the infrastructure sector and a gradual build up in both public and private capital expenditure cycle.
- We believe that the core sector performance in FY22 will be driven by the steel, cement and the power sector that will continue to benefit from the focus on infrastructure growth
- 14.0%MoM and 2.0%YoY growth in fertiliser output reflects the positive expectations of another strong Kharif crop after the largely favourable monsoon rains in June and July.
- With the second wave tapering down by Q1FY22, the overall core sector output has the potential to grow by over 8% in FY22 in case the risk of a third wave subsides over the next few months.