

Press Release

Gradual revival in Core Sector

Sharp growth in cement output signals pickup in construction activity

January 2, 2025

India's core sector growth improved to 4.3% YoY in Nov'24 from 3.7% YoY in Oct'24. Industrial and core sector activity had seen a downtrend in Q2FY25 sliding down to 2.3%, which was the lowest growth print since the Dec'2020 quarter. Cumulatively, the core sector output, covering eight sectors, increased by 4.2% during the April-November period, compared to a growth of 8.7% in the same period last year.

November marked the third consecutive month of growth in core output, after the unexpected contraction of -1.4% in Aug'24. Except for crude oil and natural gas, all the other six segments recorded a moderate or healthy growth on an annualized basis. The cement industry led the way with a strong 13% growth, driven by a surge in key construction activities, including a notable rise in residential construction.

Here are our brief comments on each of the core industries:

Coal production (weight: 10.33%) index remained steady with a 7.5% increase in Nov'24 compared to Nov'23. From April to November 2024-25, the cumulative index grew by 6.4% compared to the same period in the previous year. Coal production reached 90.6 million tonnes (MT) in Nov'24, representing a 7.2% increase over the 84.5 MT produced in Nov-23. As of Nov'24, total coal production for FY 2024-25 reached 628.0 million tonnes (MT), up from 591.3 MT in the same period of FY 2023-24, marking a growth of 6.2%. The coal ministry's action plan for better domestic coal supply includes establishing a coal trading exchange in India, providing an online platform for trading with a clearing and settlement mechanism for easier access to coal. The government will also prioritize coal gasification as part of its energy transition strategy. Additionally, the coal policy focuses on beneficiating coal before transport to remove impurities, improving its calorific value, enhancing thermal power plant efficiency, and reducing logistical costs.

Cement production (weight: 5.4%) index surged by 13.0% in Nov'24 versus Nov'23, also marking a notable rise from the 3.1% growth seen in Oct'24. For the period from April to November 2024-25, the cumulative index posted a 3.1% increase over the corresponding period of the previous year. Industry volumes in Nov'24 showed a recovery with a 20-22% YoY increase, following a 10-11% decline in Oct'24. The recovery is driven by pent-up demand, increased construction activities, and the resumption of infrastructure projects after the festive period. The average wholesale cement prices increased by 8.6% YoY in Nov'24.

Electricity generation (weight: 19.85%) grew by 3.8% in Nov'24 over Nov'23, an improvement from the revised 2.0% growth in Oct'24. The cumulative index rose by 5.3%

from April to November 2024-25, compared to the same period last year. India's power consumption increased by 5.1% to 125.4 billion units (BU) in Nov'24, compared to the same month last year. While the arrival of winter has somewhat tempered power demand and consumption growth, stability was maintained due to strong commercial and industrial activity.

Natural Gas production (weight: 6.9%) dropped by 1.9% in Nov'24 as against Nov'23 slightly decline than the 1.2% decrease recorded in Oct'24. However, the cumulative index increased by 1.1% during the April to November 2024-25 period, compared to the same period last year. India's natural gas production in Nov'24 was 2,972.20 MMSCM, representing a 2.3% decrease compared to 3,041.2 MMSCM in Nov'23. Additionally, there was a 4.4% decline from the 3,110.61 MMSCM produced in Oct'24. Cumulative natural gas production increased by 0.6% during the April-November 2024 period, reaching 24,237.14 MMSCM, compared to 24,081.09 MMSCM in the same period last year. Despite the government's efforts to promote exploration activities, gas production from Indian exploration companies, including both state-run and some private players, has experienced limited growth during this period.

Crude Oil production (weight: 8.98%) fell by 2.1% in Nov'24 compared to Nov'23. The cumulative index declined by 2.4% from April to November 2024-25 compared to the same period last year. India's crude oil production in Nov'24 was 2,344.6 TMT, showing a 2.1% decline compared to 2,395.7 TMT in Nov'23. There was also a 1.0% decrease from the 2,367.4 TMT produced in Oct'24. Crude oil imports increased by 2.6% in Nov'24 and 3.5% during the April-November period compared to the same periods last year.

Petroleum Refinery production (weight: 28.0%) increased by 2.9% over Nov'23. The cumulative index grew by 2.7% during the April to November 2024-25 period over the same period in the previous year. India's petroleum refinery production in Nov'24 amounted to 23,442.5 TMT (thousand metric tons) reflecting a 2.9% growth compared to 22,782.0 TMT in Nov'23. Production also saw a 2.2% MoM increase from 22,946.0 TMT in Oct'24. From April-November, production grew by 2.8% YoY. Imports of POL products grew by 10.7% in Nov'24 and 6.4% for the April-November period. POL exports fell by 5.5% in Nov'24 but saw a 2.9% increase during the April-November period. According to the Petroleum Planning and Analysis Cell, the country's demand for petroleum products is projected to reach 239 million tonnes in FY25.

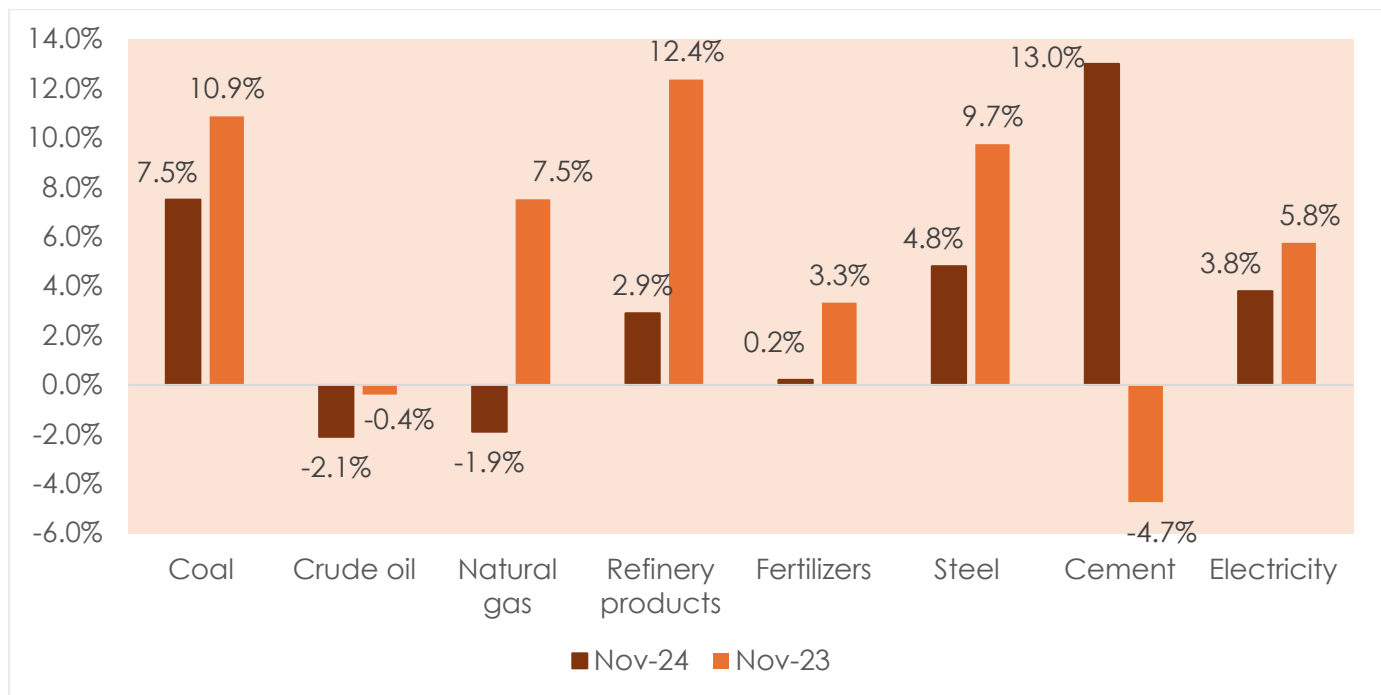
Steel production (weight: 17.9%) steel production increased by 4.8% compared to Nov'23, and a slight dip from the revised 5.2% growth in Oct'24. The cumulative index rose by a healthy 5.9% from April to November 2024-25, compared to the same period last year. Steel consumption has risen, although production has not fully aligned with this growth, partly due to a pickup in imports linked to the global slowdown and excess capacities. Despite challenges, steel companies are navigating domestic price pressures from oversupply in China and declining global prices. Import dumping has added some complexity to the market. In response, steel mills are adjusting production levels, while focusing on overcoming demand challenges in key sectors such as automotive and construction.

Fertilizer production (weight: 2.6%) rose by 2.0% in Nov'24 over Nov'23, and showing an improvement from the 0.4% increase in Oct'24. The cumulative index increased by 1.6% from April to November 2024-25 compared to the same period last year. Fertilizer production increased by 0.28% YoY in Oct-24, from 1.83% in Sep-24. The increase is attributed to factors such as good rainfall, favourable government policies, continued support for agricultural activities, and rising demand for fertilizers due to a growing focus on crop yield enhancement. Further for the fiscal year 2024-25, the total budget allocated under fertilizer subsidy is Rs. 1.68 Lakh Cr and in Nov'24, the expenditure on the administration of the fertilizer subsidy amounted to Rs. 19,028.8 Cr.

Says **Suman Chowdhury, Chief Economist and Executive Director, Acuite Ratings & Research** "Core sector growth has strengthened mildly in Nov-24, reflecting a gradual recovery in industrial activity in the second half of the fiscal. Cement emerges as the standout performer, on expectations of increased construction activity supported by a ramp up of government capital expenditure. Of the remaining 7 sectors, 5 sectors posted positive YoY growth, with Fertilizers and Electricity printing higher annualized growth than the previous month. Coal and steel sector largely maintained a healthy growth. However, weaker growth in refinery output and the continuing weakness in Crude Oil and Natural Gas output, continues to be a constraint for overall core sector activity.

Given the base factor, the growth in core sector is set to moderate in the current fiscal but we expect it to improve to 4.5%-5.0% from the 4.2% YoY print seen in the Apr-Oct'24 period. The anticipated surge in capital expenditure will support a strong growth in the construction sector, thereby pushing up core sector and industrial output in the remaining months of the fiscal."

Chart 1: Core Sector Growth: Nov'24 vs Nov'23



Core Sector Heatmap: Nov'24 vs Nov'23

Month	Overall index	Coal	Crude oil	Natural gas	Refinery products	Fertilizers	Steel	Cement	Electricity
Nov-23	7.9%	10.9%	-0.4%	7.5%	12.4%	3.3%	9.7%	-4.7%	5.8%
Dec-23	5.1%	10.8%	-1.0%	6.7%	4.1%	5.9%	8.3%	3.8%	1.2%
Jan-24	4.2%	10.6%	0.6%	5.5%	-4.3%	-0.6%	9.2%	4.1%	5.7%
Feb-24	7.1%	11.6%	7.9%	11.2%	2.6%	-9.5%	9.4%	7.8%	7.6%
Mar-24	6.3%	8.7%	2.1%	6.3%	1.6%	-1.3%	7.5%	10.6%	8.6%
Apr-24	6.9%	7.5%	1.7%	8.6%	3.9%	-0.8%	9.8%	0.2%	10.2%
May-24	6.9%	10.2%	-1.1%	7.5%	0.5%	-1.7%	8.9%	-0.6%	13.7%
Jun-24	5.1%	14.8%	-2.6%	3.3%	-1.5%	2.4%	6.7%	1.9%	8.6%
Jul-24	6.1%	6.8%	-2.9%	-1.3%	6.6%	5.3%	6.4%	5.5%	7.9%
Aug-24	-1.6%	-8.1%	-3.4%	-3.6%	-1.0%	3.2%	3.9%	-3.0%	-3.7%
Sep-24	2.0%	2.6%	-3.9%	-1.3%	5.8%	1.9%	1.5%	7.1%	-0.5%
Oct-24	3.7%	7.8%	-4.8%	-1.2%	5.2%	0.4%	5.2%	3.1%	2.0%
Nov-24	4.3%	7.5%	-2.1%	-1.9%	2.9%	0.2%	4.8%	13.0%	3.8%

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