

Press Release

Positive start to Core Output in FY25 Core sector notches a solid 6.2% growth in April

June 2, 2024

In April 2024, the output of eight core industries experienced a strong growth, increasing to 6.2% YoY from 6.0% in March and 4.6% YoY in the previous April. The growth has been fairly broad based with sectors such as electricity, natural gas, coal and steel in particular contributing to this positive trend. Electricity generation exhibited the highest growth among core industries, with a solid 9.4% YoY, reflecting the intensity of summer and the increased residential apart from higher demand from the manufacturing sector.

The start of the new fiscal year has been promising with the core sector output growing at 6.2% YoY in April 2024, following a 6.0% growth last month. This has been the highest annualized core growth print in the month of April since 2018 excluding obviously the Covid and the subsequent years – 2020/21/22. The sequential growth comparison for April month doesn't particularly make sense as March is the year-end which witnesses a peak in output in most sectors.

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

Coal production (weight: 10.33%) saw substantial growth of 7.5% YoY compared to 9.1% the same month the previous year. India's coal production for April 2024 reached 78.69 million tonnes (MT) (Provisional), with a growth rate of 7.4% compared to the corresponding period in the previous year, while coal dispatches reached 85.10 MT(Provisional), up by 6.1% compared to the same period last year. Over a 5 year period which includes the prolonged disruption from Covid, the annualized production growth for coal stands at a solid 7.2%, reflecting the policy priority to reduce the dependence on imported coal.

Electricity generation (weight: 19.85%) witnessed a robust growth of 9.4% YoY compared to decline of 1.1% in April 2023. Increased industrial activity and prolonged heat waves drove a nearly 10% rise in electricity consumption in the first half of April. Power consumption soared to 70.66 billion units from April 1 to 15, up from 64.24 billion units last year. Peak demand hit 218 GW, surpassing the previous year's 206 GW. Rising use of electricity in transportation, including electric vehicles and railways, has also led to a gradual per capita usage. Over a 5 year period which includes the prolonged disruption from Covid, the annualized generation growth for power stands at a healthy 5.3%, reflecting the higher availability of coal for thermal power plants and increased access to electricity for consumers.

Steel production (weight: 17.9%) saw significant growth of 7.1% YoY in Apr-24 albeit it has moderated from the 16.7% in the previous April. India stood out as the only country to achieve growth in steel production in April 2024, with a growth rate of 3.9%

compared to April 2023. While global steel production declined, India's increase indicates the momentum in infrastructure and industrial activity for the month of April. Over a 5 year period which includes the impact from Covid, the annualized steel production growth stands at a healthy 5.5%, reflecting the high demand from the infrastructure sector.

Cement production (weight: 5.4%) saw only a modest annualized increase by 0.6%, fairly down from 12.3% the previous year. However, output growth has been robust at 9.0% for FY24. The lower production for April may be possibly on account of inventory rationalization at the dealer levels. Lower costs, including power and fuel, provided relief to producers, thanks to softer crude oil and coal prices. Over a 5 year period which includes the impact from Covid, the annualized cement production growth stands at a moderately healthy 4.8%, reflecting the strong demand from the infrastructure sector.

Natural Gas production (weight: 6.9%) increased by 8.6% YoY in April 24 over a decline of 2.8% when compared to same month previous year. India's gross production of natural gas in April 2024 reached 2,958 million standard cubic meters (MMSCM), marking a 7.8% increase compared to the same month last year, indicates country's ongoing efforts to ramp up domestic production capabilities in the energy sector. Over a 5 year period which includes the impact from Covid, the annualized natural gas production growth stands at a modest 2.3%.

Crude Oil production (weight: 8.98 per cent) saw marginal uptick of 1.7% YoY compared to decline of 3.6% previous year. India's domestic crude oil production reached 2.4 million metric tonnes (MMT) in April 2024, marking a 1.6% growth compared to the same period last year. The country's import dependence on crude oil decreased slightly to 88.4% in April, down from 88.6% in the previous year, with crude oil imports rising by 7% YoY. Additionally, petroleum product consumption in April totalled 19.9 MMT, indicating a 6.1% growth compared to the same period last year. Over a 5 year period which includes the impact from Covid, the annualized crude oil output contraction stands at 2.1%, reflecting the challenges in indigenous production.

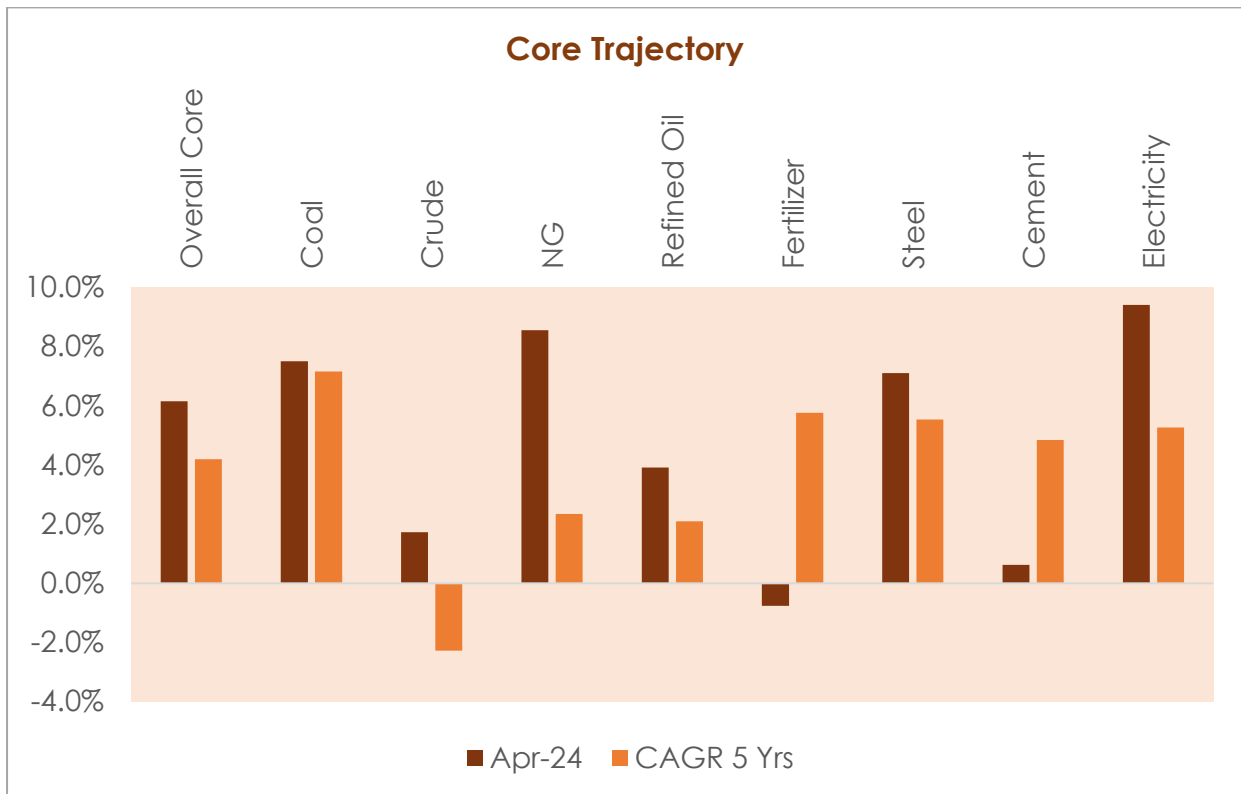
Petroleum Refinery production (weight: 28.0%) saw a steady increase of 3.9% over a decline of 1.5% in April 23. Over a 5 year period which includes the impact from Covid, the annualized petro products output growth stands at 2.3%, reflecting the challenges in export competitiveness.

Fertilizer production (weight: 2.6%) contracted 0.8% and has shrunk for the fourth consecutive month compared to 23.5% in April 23. Over a 5 year period which includes the impact from Covid, the annualized fertilizer output growth stands at 5.8%, reflecting the steady demand growth from agricultural activity.

Says **Suman Chowdhury, Chief Economist and Head – Research**, “Core sector has remained a significant contributor to India's growth story over the last 5 years largely driven by increased investments in Indian infrastructure. The gross core output growth

in FY24 stood at a robust 7.6% YoY. Not only in the previous fiscal, the momentum in the core sector is apparent from the annualized CAGR of core sector output growth over the last 5 years which stands at 4.2% despite the severe disruption from the Covid pandemic for around 2 years. We believe that core sector growth will continue to be healthy in FY25 at around 6% and will further support a healthy growth in industrial activity.”

Chart 1: Annualized Core Sector Growth in Apr-24



#Apr-24 vs Apr-23 YoY% @CAGR – 5 Yrs – Apr-19 vs Apr-24

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