

## Press Release

### Steady momentum in the core sector Lower base of FY23 will continue to be a supporting factor

**02-September-2023**

The output growth of eight core industries (ECI) was steady in 8.01% YoY in Jul-23 as compared to 8.27% in Jun-23. On a cumulative basis, the core sector has seen a healthy growth of 6.44% in the Apr-July'23 period which is significantly higher as compared to 3.19% in the comparable pre-pandemic period (Apr-July'19) of FY20 (since the next 3 years have seen the Covid disruption and the subsequent normalization which skews the growth prints).

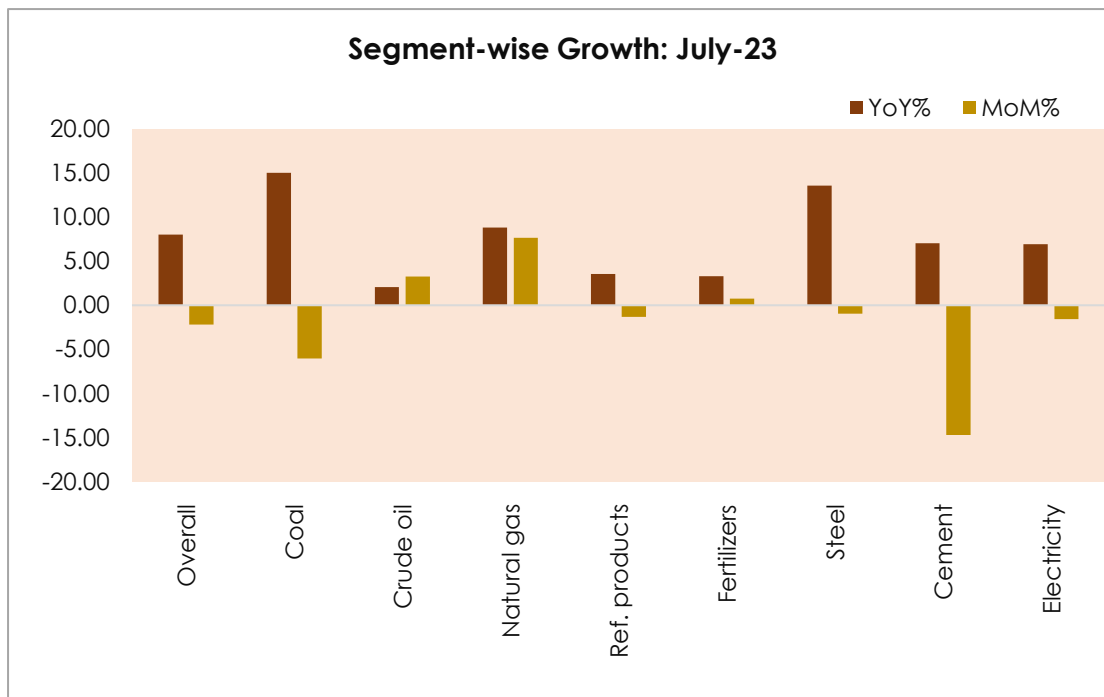
On sequential basis, however, the seasonality has expectedly come into play and the ECI index has seen a decline of 2.18% MoM vis-à-vis the average of the 5 years in the pre-pandemic period (2015-2019) that stands at 1.0% MoM. While the core sector growth print appears stronger due to the relatively weakness in the previous fiscal, it has been broad based in the month of July except for the chronic weakness in crude oil and petroleum products' output.

Coal and steel have seen steady output YoY growth in July'23 at 15.00% and 13.55% respectively; further, on a cumulative level, their output has been growing strongly in the current year at 10.11% and 15.36% respectively over the four month Apr-July period. Cement production has also been fairly steady in the current year at 7.01% YoY in July and 11.21% YoY on a cumulative basis, reflecting the increased demand due to a step up in public investments. Electricity has seen a recovery in the previous month at 6.93% YoY although for the year to date it has been muted on account of a milder summer and lower residential demand. Fertilizer output has been tapering to an extent due to inconsistent rainfall in the current monsoon season with a 3.29% growth in July-23.

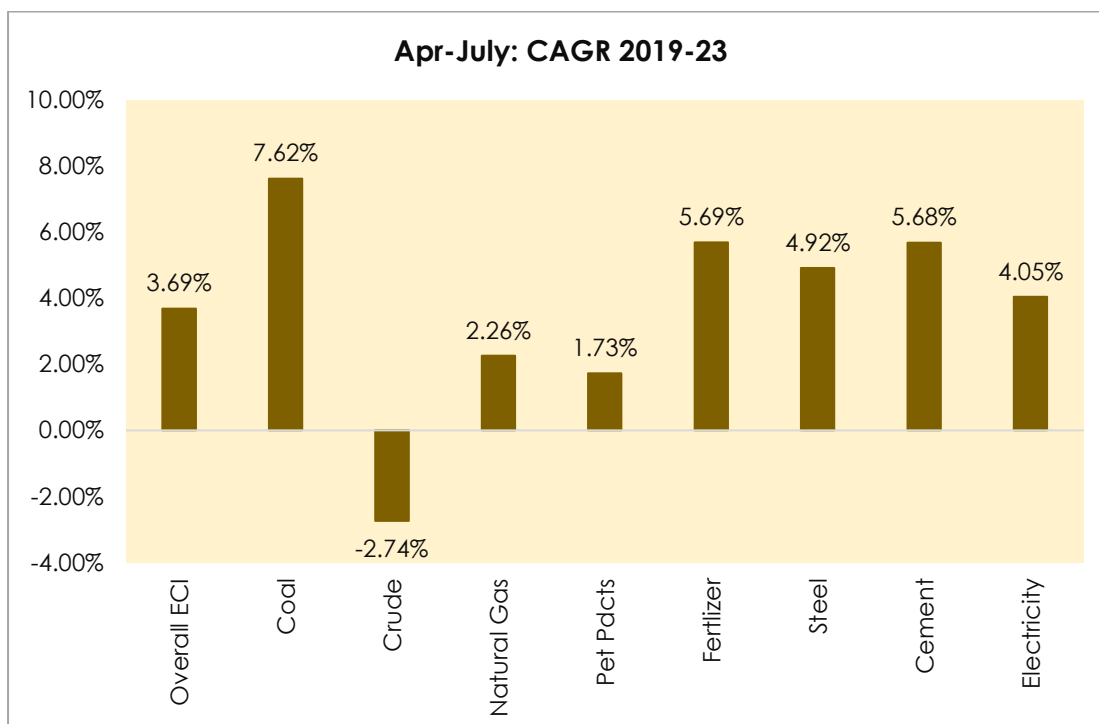
**Says Suman Chowdhury, Chief Analytical Officer, Acuite Ratings & Research** "The core sector has witnessed a healthy pickup particularly since last year due to the step up in coal production and higher steel as well as cement production driven by the government push in the infrastructure sector. The data for April-July over the Covid period from 2019-23 highlights that the average annualized growth in coal, cement, steel and fertilizers have been healthy at around or over 5%. We believe that such a trend will continue over the medium term given the thrust on infrastructure development and import minimization for key commodities. However, the stagnation or inconsistent output in oil and gas sector will continue to offset some of these growth drivers."

**Annexure**

**Chart 1: Annual and sequential growth in core sector in Jul-23**



**Chart 2: Average growth in Core Sector over 4 yrs covering Covid impact**



## About Acuité Ratings & Research Limited:

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