

Press Release

Core Sector rebounds in July

Growth broadly driven by coal, refineries, electricity, and steel

September 2, 2024

India's core sector reported a stronger growth of 6.1% YoY in July'24 as compared to the upwardly revised print of 5.1% YoY in Jun'24. This increase was fuelled by robust performance in steel, electricity, coal, refinery products, cement, and fertilizers despite a decline in crude oil and natural gas production. Cumulative growth for April to July 2024 also held steady at 6.1%, highlighting resilience and stability in the sector.

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

Coal production (weight: 10.33%) increased by 6.8% YoY in July 2024 and saw a cumulative 9.9% rise from April to July 2024-25 compared to the previous year. Coal production reached 74.1 MT, up 6.7% from 64.4 MT in July 2023, but down 13% from June 2024's at 84.7 MT. Cumulative coal dispatch for FY25, up to July 2024, was 341.6 MT, a 7.9% increase from 316.5 MT during the same period in FY24. This growth supports key industries and aligns with the Ministry of Coal's target of 1,080 MT for FY24-25. The Coal Ministry is working with Ministry of Railways and Power to ensure a stable coal supply for both power and non-power sectors.

Cement production (weight: 5.4%) grew by 5.5% YoY in July, with the cumulative index for April to July 2024-25 up only by 1.6% YoY. The 2024-25 budget allocated Rs 11.1 Tn for public capital expenditure; while there was a slowdown in such spending in Q1FY25, a pickup in expenditure is expected to boost cement demand in the second half of the year. Rising urbanization and increased government spending on infrastructure are set to drive a healthy growth in cement consumption in India.

Electricity generation (weight: 19.85%) increased by 7.0% in July 2024, with the cumulative index up 9.9% from April to July 2024. In July 2024, India's power consumption rose by 3.5% to 145.40 billion units (BU) from 140.41 BU in July 2023, a moderation in growth that is seen typically during monsoon. The onset of monsoon provided relief from intense heat reducing the need of cooling appliances, leading to a modest rise in power consumption. Nevertheless, peak power demand also increased to 226.6 GW from 208.9 GW a year earlier. Experts predict steady demand ahead, as high humidity will drive continued use of air conditioners.

Natural Gas production (weight: 6.9%) fell by 1.3% in July 2024, while the cumulative output index increased by 4.3% from April to July 2024. India's natural gas production fell by 1.4% YoY to 3,079 million standard cubic meters (MMSCM), down from 3,123 MMSCM last year. However, natural gas consumption increased by 5.8% YoY, reaching 5,733 MMSCM compared to 5,418 MMSCM in the same period last year. The data revealed that 83.2% of gross natural gas production was sold domestically, with the remainder used internally by production companies or flared due to technical

needs. Sectoral consumption in July 2024 showed the fertilizer industry consuming 1,801 MMSCM, an 8% MoM increase. The power sector's consumption grew due to the government's push to boost production to meet influx of demand, resulting in increased electricity generation from gas-based units.

Steel production (weight: 17.9%) improved by 7.2% YoY in July 2024. Its cumulative index increased by 7.6% during April to July, 2024-25 over corresponding period of the previous year. India's steel production increased by 6.8% to 12.3 MT, with January-July output reaching 86.4 MT, a 7.2% rise from the previous year. From April to July, India imported 2.7 MMT of steel and exported 1.6 MT. China continued as the top steel exporter to India followed by Japan and South Korea. Hot-rolled coil steel imports from Vietnam have also risen, leading to initiation of anti-dumping investigation by the Government. Domestic steel prices have hit a three-year low due to high imports and declining exports.

Crude Oil production (weight: 8.98%) dropped by 2.9% YoY in July 2024 compared to the previous year. From April to July 2024, the cumulative index fell by 1.3%. India's crude oil sector experienced a decline in production, with output falling by ~1.5% compared to June 2024.

Petroleum Refinery production (weight: 28.0%) rose by 6.6% YoY in July 2024, with the cumulative index up 2.3% from April to July 2024. The production of petroleum products saw a significant increase, rising by 7.1% to 24.4 MMT in July 2024 compared to July 2023. Refinery production accounted for 24.1 MMT. India's domestic consumption of petroleum products in April-July rose 4.8% YoY to 80.9 million tonnes, emphasizing continued demand, particularly for transportation fuels such as petrol and diesel.

Fertilizer production (weight: 2.6%) increased by 5.3% YoY in July 2024. From April to July 2024, the cumulative index rose by 1.3% YoY. Rising costs for natural gas and phosphate rock, driven by geopolitical tensions had an impact on fertilizer production. Nevertheless, fertilizer demand is witnessing a revival from favourable monsoon conditions, higher crop prices and continued government subsidies for fertilizers that has eased farmers' financial burdens.

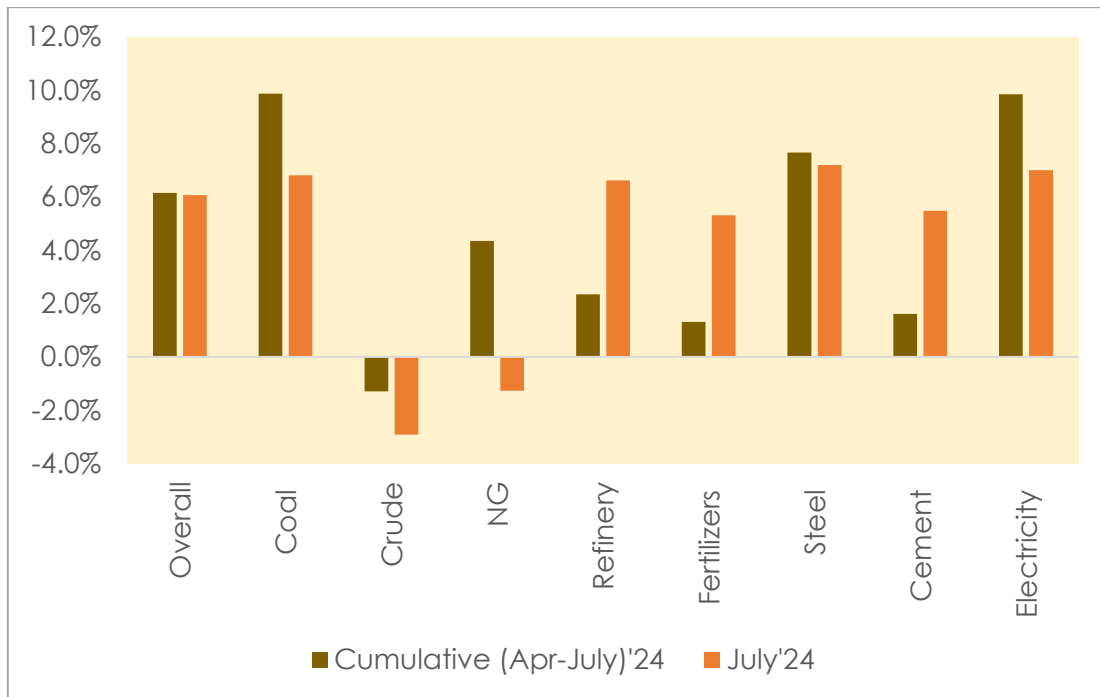
Says **Suman Chowdhury, Chief Economist and Head – Research** "India's core sector has seen a healthy rebound in July'24. The sequential decline in output in July arising out of seasonality (monsoon month) has been relatively lower in the current year. The key segments that has driven the growth of core output in July are the oil refineries, fertilizers and steel.

The refinery output growth at 6.6% YoY in July has been the highest in the last nine months and given the higher weightage of the segment, it has contributed significantly to the higher print. Similarly, for the fertilizer sector, the growth in July at 5.3% is the highest since Dec-23 (output had contracted in most of the previous months). The output for steel remains very healthy at 7.2% YoY; cement output has remained weak but shows a moderate annualized growth due to the base factor.

While electricity output is expected to decline in the monsoon season, it still showed a solid 7.0% YoY growth adding to the strength of the core sector.

The core sector has seen a healthy growth of 6.2% overall in the Apr-July period. We expect the sector to average a growth between 5.5%-6.0% in the fiscal given the pickup in public capital expenditure."

Chart 1: Monthly and cumulative output growth in Core Sector in July 2024



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Media Contact:

Sahban Kohari
Ph: + 91-9890318722
sahban@eminencestrategy.com

Analytical Contact:

Suman Chowdhury
Chief Economist & Head of Research
Ph: + 91-9930831560
suman.chowdhury@acuite.in

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