

Macro Insights

30th March 2024

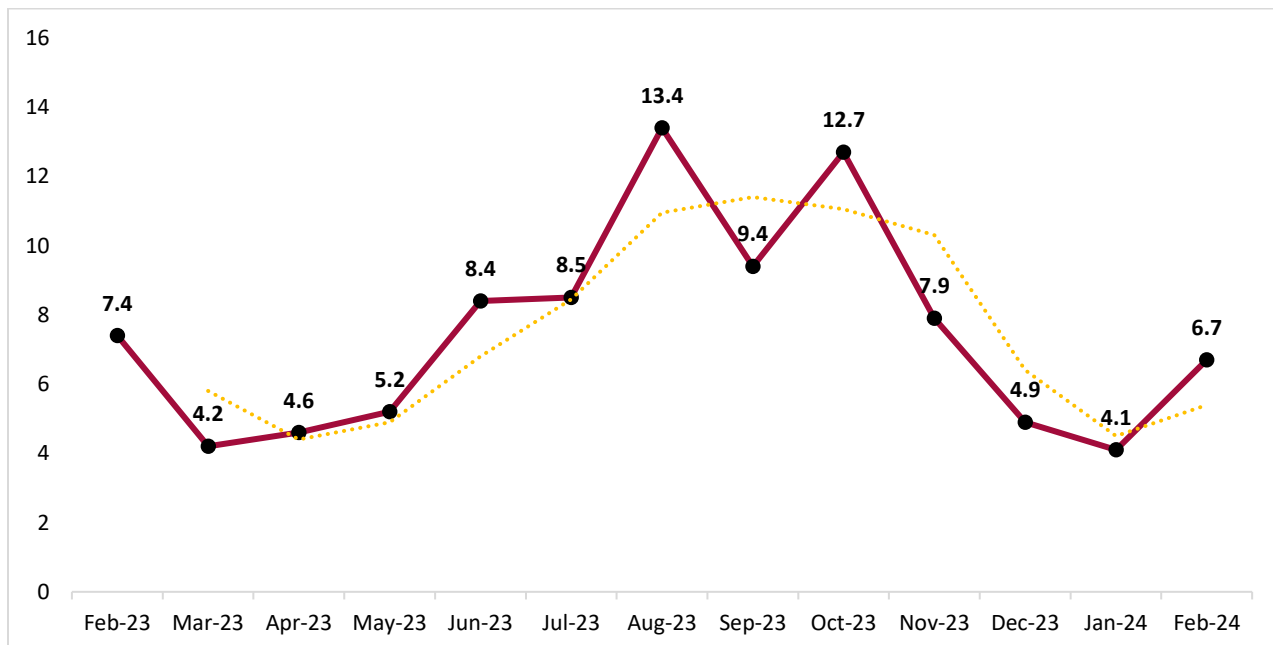
Highlights:

Core Sector growth rebounds to 6.7% in February'24.

The Index of Eight Core Industries increased by 6.7% y-o-y in February 2024 vis-à-vis 4.1% in the previous month and 7.4% in the same month last year. Growth in the index bounced back after remaining tepid for the past three months.

- During February'24, double-digit growth was seen in sectors of coal (11.6%), natural gas (11.3%) and cement (10.2%), while output grew in the other sectors like crude oil (7.9%), refinery products (2.6%) and electricity (6.3%) as well.
- Fertilizers was the only sector which witnessed a contraction in output by 9.5% in February 2024 compared to 22.2% growth witnessed in February 2023.

Eight Core Industries– February'24 (YoY Growth in %)



Source: Office of Economic Adviser

Components of Eight Core Sector (YoY Growth in %)

| Sr. No | Sector | Weight | Feb-23 | Dec-23 | Jan-24 | Feb-24 |
|--------|----------------------|--------------|------------|------------|------------|------------|
| 1 | Coal | 10.3 | 9.0 | 10.7 | 10.2 | 11.6 |
| 2 | Crude Oil | 9.0 | -4.9 | -1.0 | 0.7 | 7.9 |
| 3 | Natural gas | 6.9 | 3.1 | 6.6 | 5.5 | 11.3 |
| 4 | Refinery Products | 28.0 | 3.3 | 4.0 | -4.3 | 2.6 |
| 5 | Fertilizers | 2.6 | 22.2 | 5.8 | -0.6 | -9.5 |
| 6 | Steel | 17.9 | 12.4 | 7.6 | 8.7 | 8.4 |
| 7 | Cement | 5.4 | 7.4 | 3.8 | 5.7 | 10.2 |
| 8 | Electricity | 19.9 | 8.2 | 1.2 | 5.7 | 6.3 |
| | Overall Index | 100.0 | 7.4 | 4.9 | 4.1 | 6.7 |

Source: Office of Economic Adviser

Views & Outlook:

- Despite a high base, key sectors of steel, cement, coal, electricity witnessed substantial growth in output in February 2024 vis-a-vis their performance in the same month last year- indicating a renewed thrust on infrastructure creation.
- Construction and Auto sectors have been performing particularly well- leading to demand for steel and cement.
- Fertilizer sector has witnessed de-growth for the past two months owing to the harvest season which generates lower demand for fertilizers.
- Going forward, the Index of Industrial Production (IIP) is expected to receive a significant boost from the eight core index- which constitutes 40.7% of the IIP.
- Core sector growth is expected to improve further as private capex picks up in the coming quarters with improving business sentiments as indicated by the PMI numbers.

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