

Macro Insights

1st February 2024

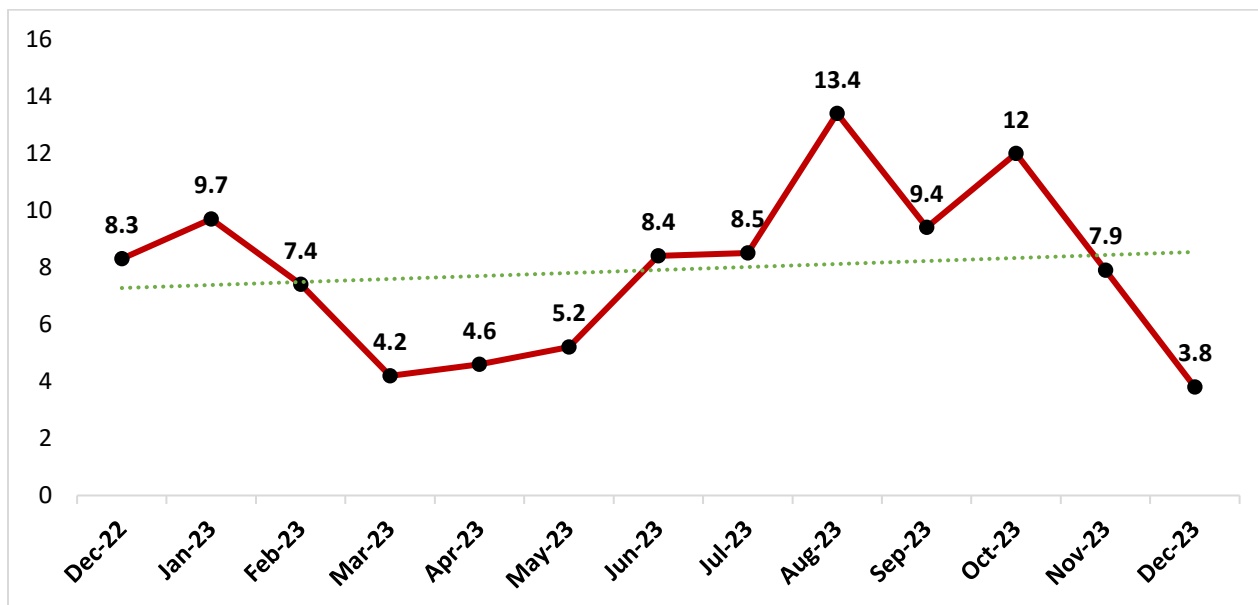
Highlights:

Core Sector growth moderates to 3.8% in December 2023.

The Index of Eight Core Industries increased by 3.8% y-o-y in December 2023 vis-à-vis 7.9% in the previous month and 8.3% in the same month last year. This is the lowest growth registered in the index in past 14 months.

- De-growth of 1% in the crude oil sector, along with tepid growth of cement (1.3%), electricity (0.6%), and refinery products (2.6%) was a drag on the index in December 2023.
- On the other hand, output of the coal sector rose 10.6% yoy in December 2023, while natural gas sector registered a 6.6% yoy increase in output.

Eight Core Industries– December'23 (YoY Growth in %)



Source: Office of Economic Adviser

Components of Eight Core Sector (YoY Growth in %)

Sr. No	Sector	Weight	Dec-22	Oct-23	Nov-23	Dec-23
1	Coal	10.3	12.3	18.4	10.9	10.6
2	Crude Oil	9.0	-1.2	1.3	-0.4	-1.0
3	Natural gas	6.9	2.6	9.9	7.6	6.6
4	Refinery Products	28.0	3.7	4.2	12.4	2.6
5	Fertilizers	2.6	7.3	5.3	3.4	5.8
6	Steel	17.9	12.3	10.7	9.4	5.9
7	Cement	5.4	9.5	17.4	-4.0	1.3
8	Electricity	19.9	10.4	20.3	5.7	0.6
	Overall Index	100.0	8.3	12.0	7.9	3.8

Source: Office of Economic Adviser

Our Views:

- The tepid growth recorded in the eight core index in December 2023 was on account of a higher base in December last year.
- The cement industry posted growth of 1.3% in December 2023 as opposed to a contraction 4.0% witnessed in the previous month.
- Moderation in core sector growth in December 2023 implies that industrial growth, as measured by the Index of Industrial Production (IIP), may also cool down as the eight core industries constitute approximately 40 percent of the weight of the IIP.
- Going forward, the high base effect is expected to keep core sector expansion muted while it is likely to gather momentum from March 2024 onwards.

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