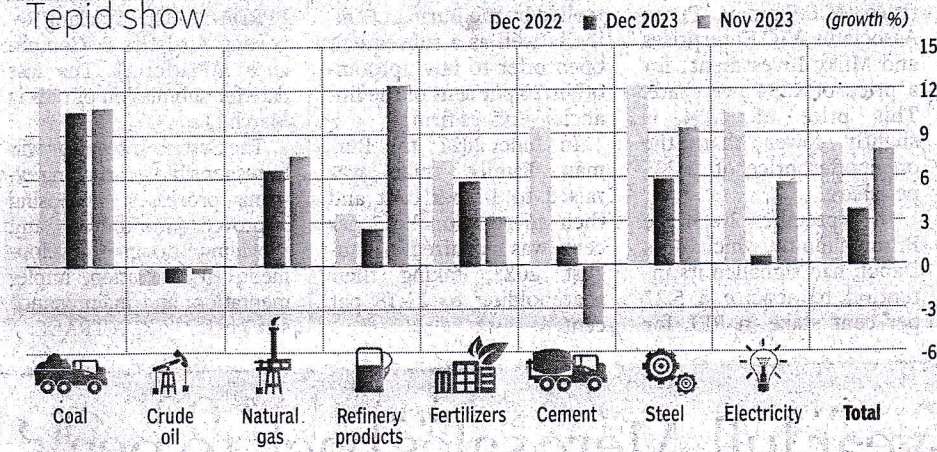


Core sector growth slumps to 14-month low of 3.8% in Dec 2023

Tepid show



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The eight core industries' output growth slumped in December 2023 to 14-month low at 3.8 percent. The latest reading was much lower than 8.3 percent growth recorded in the same month in the previous year.

The latest print was also lower than 7.9 percent growth recorded in November 2023. For the April-December 2023 period, core industries' growth came in at 8.1 percent, the same level as the year ago. In December 2023, other than crude oil, which contracted 1 percent, all the seven other industries recorded positive growth.

The eight core industries — coal, natural gas, crude oil, refinery products, fertilizers, cement, steel and electricity — account for 40.27 per cent of the

weight of items included in the Index of Industrial Production (IIP). The government has also now revised upwards the eight core industries' output growth for September 2023 to 9.4 percent. Last month, the government had revised upwards the print for August 2023.

COAL SIZZLES

Coal output continued to sizzle with growth of 10.6 percent in December 2023, but lower than the 10.9 percent growth in November last year. For the month under review, natural gas output grew a robust 6.6 percent (7.6 percent in November) and steel output was at 5.9 percent (9.4 percent in November).

Cement sector grew 1.3 percent and electricity generation was up 0.6 per cent in December 2023. In December 2023, refinery products output grew 2.6

per cent (3.7 per cent); fertilizers at 5.8 per cent (7.3 per cent). Madan Sabnavis, Chief Economist, Bank of Baroda, said, "While admittedly the high base effect was at play, there was also a slowdown in the infra sector. The government spending on capex was steady but the same was not seen in the private sector." He said that steel production at 5.9 per cent was good given the high base effect.

Cement production slowed down reflecting lower demand on the construction side though the base effect was high as growth was at 9.5 per cent last year. "We could expect growth in IIP to be in the region of 2-3 per cent for December 2023", Sabnavis added. Following the tepid core sector growth in December 2023, ICRA projects the IIP expansion for that month at a bleak 1-3 per cent.