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India's August core sector growth hits 14-month high of 12.1%

For April-August, India's eight core industries have posted a growth of 7.7 percent, down from 10.0 percent in the first five months of 2022-23

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In August 2022, India's eight core sectors - which include coal, crude oil, natural gas, refinery products, fertiliser, cement, electricity, and steel - had grown by 4.2 percent.

India's eight core sectors posted a growth of 12.1 percent in August, according to data released by the Ministry of Commerce and Industry on September 29. At 12.1 percent, the growth in India's eight key infrastructure industries - coal, crude oil, steel, cement, electricity, fertilisers, refinery products, and natural gas - last month is the highest in 14 months, spurred on by a favourable base effect.

The figure for July has been revised upwards to 8.4 percent from **8.0 percent**.

In August 2022, core sector growth was 4.2 percent.

For April-August, growth in core sector output is 7.7 percent compared to 10.0 percent in the first five months of 2022-23.

The jump in core sector growth in August was because of double-digit increases in the output of five of the eight industries: cement (18.9 percent), coal (17.9 percent), electricity (14.9 percent), steel (10.9 percent), and natural gas (10.0 percent). Like the headline growth number, the increase in output of both coal and electricity in August was the highest in 14 months, while that of cement and natural gas was the largest in nine and 18 months, respectively. A sixth industry, refinery products, saw its production rise by 9.5 percent - also the highest in 14 months - up from 3.6 percent in July.

"While higher cement production reflects higher demand from the infrastructure sector, power generation has seen massive, unusual growth in August due to a severe rainfall deficiency in large parts of the country and the consequent higher demand for electricity from both the residential and the agricultural segments," said Suman Chowdhury, Chief Economist at Acuité Ratings & Research.

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Meanwhile, crude oil output rose 2.1 percent year-on-year, maintaining its increase from July.

Production of crude oil had risen for the first time in 14 months in July.

Fertiliser was the only sector to see lower output growth in August (1.8 percent) compared to July (3.3 percent).

"Given the up-tick in the core sector growth, as well as healthy performance of high-frequency indicators such as auto output, GST e-way bills, rail freight et cetera, we forecast the IIP to expand by 9-11 percent in the month of August," noted Aditi Nayar, Chief Economist at ICRA.

The eight core industries make up more than 40 percent of the weight of the Index of Industrial Production, or IIP. As such, core sector growth is seen as a lead indicator of industrial growth. In July, India's **industrial output grew at a five-month high of 5.7 percent**, above the consensus estimate of 5 percent.

IIP data for August will be released on October 12.