Core Sectors Output

Why in News

Output at India's eight core sectors **grew by 8.9% in June 2021 largely due to Base Effect** but the pace remained below the production levels seen before the **Covid-19** pandemic as well as its **second wave.**

Key Points

- **About Eight Core Sectors:**

  - These **comprise 40.27% of the weight of items included in the Index of Industrial Production (IIP).**
  - The eight core sector industries in decreasing order of their weightage: **Refinery Products> Electricity> Steel> Coal> Crude Oil> Natural Gas> Cement> Fertilizers.**

- **Base Effect:**

  - The base effect **refers to the effect that the choice of a basis of comparison or reference can have on the result** of the comparison between data points.
  - For example, the base effect **can lead to an apparent under- or overstatement of figures** such as inflation rates or economic growth rates if the point chosen for comparison has an unusually high or low value relative to the current period or the overall data.
  - Production of coal, natural gas, refinery products, steel, cement and electricity jumped by 7.4%, 20.6%, 2.4%, 25%, 4.3% and 7.2%, respectively, in June 2021, as against (-) 15.5%, (-) 12%, (-) 8.9%, (-) 23.2%, (-) 6.8% and (-) 10% in the same month last year.

- **Index of Industrial Production:**

  - IIP is an indicator that measures the changes in the volume of production of industrial products during a given period.
  - It is compiled and published monthly by the **National Statistical Office (NSO),** Ministry of Statistics and Programme Implementation.
  - It is a composite indicator that measures the growth rate of industry groups classified under:

    - **Broad sectors,** namely, Mining, Manufacturing, and Electricity.
    - **Use-based sectors,** namely Basic Goods, Capital Goods, and Intermediate Goods.
  - **Base Year** for IIP is **2011-2012.**
  - **Significance of IIP:**

    - It is used by government agencies including the Ministry of Finance, the Reserve Bank of India, etc, for policy-making purposes.
    - IIP remains extremely relevant for the calculation of the quarterly and advance **GDP (Gross Domestic Product)** estimates.

Source: TH

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