



Core Sector Output

Why in News

The **eight core sectors grew by 6.8% in March 2021** (the **highest in 32 months**), after a **3.8% dip in February**, but the **spike was largely due to the base effects from March 2020**.

- During **2020-21** (April-March), output of the **eight sectors contracted by 7%** as against a positive growth of 0.4% in 2019-20.

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 natural gas, steel, cement and electricity jumped 12.3%, 23%, 32.5% and 21.6% in March 2021, as against (-) 15.1%, (-) 21.9%, (-) 25.1% and (-) 8.2% in March 2020, respectively (**low base effect**).

▪ 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](#)

PDF Refernece URL: <https://www.drishtias.com/printpdf/core-sector-output-1>

