



Core Sector Industries

For Prelims: [Core Sector](#) , [Coal](#), [Natural gas](#), [Index of Eight Core Industries](#) , [Reserve Bank of India \(RBI\)](#), Index of Industrial Production

For Mains: Growth & Development, Core Sector growth and its impact the broader economy

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Why in News?

India's [core sector output](#) witnessed a notable surge in February 2024, with growth reaching a **three-month high of 6.7%**. This growth was primarily driven by significant increases in [coal](#), [natural gas](#), and **cement production**.

What is the Core sector?

▪ About:

- The core sector in India comprises eight key industries: **coal, crude oil, natural gas, refinery products, fertilizers, steel, cement, and electricity**.
 - The growth rate of the core sector is a crucial indicator of the overall health of the Indian economy. A strong growth rate in the core sector often signals a positive economic outlook.

▪ Significance:

- The core sector's performance is considered a key indicator of a **country's overall industrial and economic performance**, serving as a barometer for gauging the health of the economy and predicting future economic trends. For example, steel is a critical material for construction, automobiles, and machinery. Electricity is essential for powering factories, homes, and businesses.
 - The core sector industries have significant interconnections with other sectors. This interdependence creates a **multiplier effect**, where changes in the core sector's growth or contraction impact the entire economy.
 - Core industries are essential for developing a country's infrastructure. Production of steel, cement, and electricity is necessary for building roads, bridges, and power plants.

What is Core Sector Growth?

- Core sector growth refers to the **growth rate or the increase in output/production from the core industries** of an economy over a given period of time, typically measured on an annual or monthly basis.
- The core sector growth is calculated by **combining the growth rates of these individual industries, using their respective weights** in the overall Index of Core Industries (ICI)
- **Index of Eight Core Industries (ICI):**
 - The [Index of Eight Core Industries \(ICI\)](#) is prepared every month and released by the

Office of the Economic Adviser (OEA), Department for Promotion of Industry and Internal Trade (DPIIT), and Ministry of Commerce & Industry.

- The ICI comprises various components that collectively reflect the performance and vitality of India's industrial sector. These components include:
 - **Coal:** Coal production, excluding Coking coal.
 - **Electricity:** Electricity generation from thermal, nuclear, hydro sources, and imports from Bhutan.
 - **Crude Oil:** Total crude oil production.
 - **Cement:** Production in both large plants and mini plants.
 - **Natural Gas:** Total production of natural gas.
 - **Steel:** Production of alloy and non-alloy steel only.
 - **Refinery Products:** Total refinery production.
 - **Fertiliser:** Production of urea, ammonium sulphate, calcium ammonium nitrate, complex grade fertiliser, single superphosphate, among others.
- The current weightage, of eight core industries is Petroleum Refinery Products (28.04%) > Electricity (19.85%) > Steel (17.92%) > Coal (10.33%) > Crude Oil (8.98%) > Natural Gas (6.88%) > Cement (5.37%) > Fertiliser (2.63%).
- ICI for a reference month is released with a time lag of one month on the last day of the next month, which is about **twelve days prior to the release of Index of Industrial Production (IIP)** for the reference month.
- The choice of the base year of ICI is according to the choice of base year for the IIP.
 - The **base year** in the current series of ICI is **2011-12**.
- The ICI is widely used by policymakers, including the Ministry of Finance, other Ministries and Departments, Banks financing Infrastructure projects, the [Reserve Bank of India \(RBI\)](#), and the Railway Board.

Note:

- The [Index of Industrial Production \(IIP\)](#) is a key indicator for measuring the growth rates in different industry groups of the economy in a fixed period.
 - It is a composite index that shows **short-term changes in the production volume** of a basket of industrial products compared to a chosen base period.
 - The Eight Core Industries comprise above 40 percent of the weight of items included in the Index of Industrial Production (IIP).
- The index is compiled and published monthly by the [Central Statistical Organisation \(CSO\)](#) six weeks after the reference month ends. It is crucial for the government for policy planning and analysis.
 - The level of IIP is an abstract number representing the status of industrial production compared to a reference period, with the **current base year 2011-12**.

What are the Recent Trends in the Core Sector?

- India's eight core sectors witnessed a notable uptick in output growth of **6.7% in February 2024**.
 - This growth was primarily led by double-digit increases in coal, natural gas, and cement production.
- Despite overall growth, fertilisers' production contracted by 9.5% in February 2024, marking the sharpest decline since May 2021.
- Cumulative growth in the core sector for the fiscal year 2023-24 has been robust at 7.7%, surpassing the growth rate of 6.8% recorded in the 2022-2023. This indicates overall resilience and positive momentum in industrial activity.

UPSC Civil Services Examination, Previous Year Questions (PYQs)

Prelims

Q. In the 'Index of Eight Core Industries', which one of the following is given the highest

weight? (2015)

- (a) Coal production
- (b) Electricity generation
- (c) Fertilizer production
- (d) Steel production

Ans: (b)

Mains

Q.1 “Industrial growth rate has lagged behind in the overall growth of Gross-Domestic-Product(GDP) in the post-reform period” Give reasons. How far are the recent changes in Industrial Policy capable of increasing the industrial growth rate? **(2017)**

Q.2 Normally countries shift from agriculture to industry and then later to services, but India shifted directly from agriculture to services. What are the reasons for the huge growth of services vis-a-vis the industry in the country? Can India become a developed country without a strong industrial base? **(2014)**

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