



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](#)

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

