



Core Sector Shrinks by 6.5%

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Why in News

According to the data released by the Ministry of Commerce and Industry, **the eight core sector industries** contracted by 6.5% in March, 2020.

- The cumulative growth of eight core sector industries during 2019-20 was 0.6%.
- In February, 2020, the eight core sector industries **recorded a growth of 5.5%**.

Key Points

- Seven out of eight core sectors contracted in the month of March.
 - The contraction was led by steel production, electricity, cement production, natural gas production, fertiliser production, crude oil production and petroleum & refinery production.
 - **Coal was the only core sector** which saw growth.
- The contraction in the core sector has occurred **despite the fact that several of the core sector industries were given exemptions under the lockdown**. E.g electricity and steel which are continuous processes and were not stopped.
- However, the **movement of goods faced major restrictions** due the nationwide lockdown, **resulting in reduced demand** which led to **reduced production**.
- The March core sector data also reflected **the cut in capital expenditure** by both state and central governments in order to make up for falling tax revenues.
 - The **capital expenditure** is defined as the money spent on the acquisition of assets like land, buildings, machinery, equipment, as well as investment in shares.
 - High capital expenditure usually means more investment by the government towards the creation of infrastructure and other assets that are crucial for rapid economic growth.

Core Sector Industries

- The **eight core sector industries** include coal, crude oil, natural gas, refinery products, fertiliser, steel, cement and electricity
- The eight core industries **comprise 40.27% of the weight of items** included in the **Index of Industrial Production (IIP)**.
- The eight Core Industries in **decreasing order** of their weightage: **Refinery Products> Electricity> Steel> Coal> Crude Oil> Natural Gas> Cement> Fertilizers.**

Industry	Weight (In percentage)
Petroleum & Refinery production	28.04
Electricity generation	19.85
Steel production	17.92
Coal production	10.33
Crude Oil production	8.98
Natural Gas production	6.88
Cement production	5.37
Fertilizers production	2.63

Index of Industrial Production

- The 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.**
- IIP 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.**
- The **eight core industries** of India represent **about 40% of the weight of items** that are included in the IIP.

- **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 estimates**.

Source: TH