



## Core Sector Contracted by 9.6%

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### Why in News

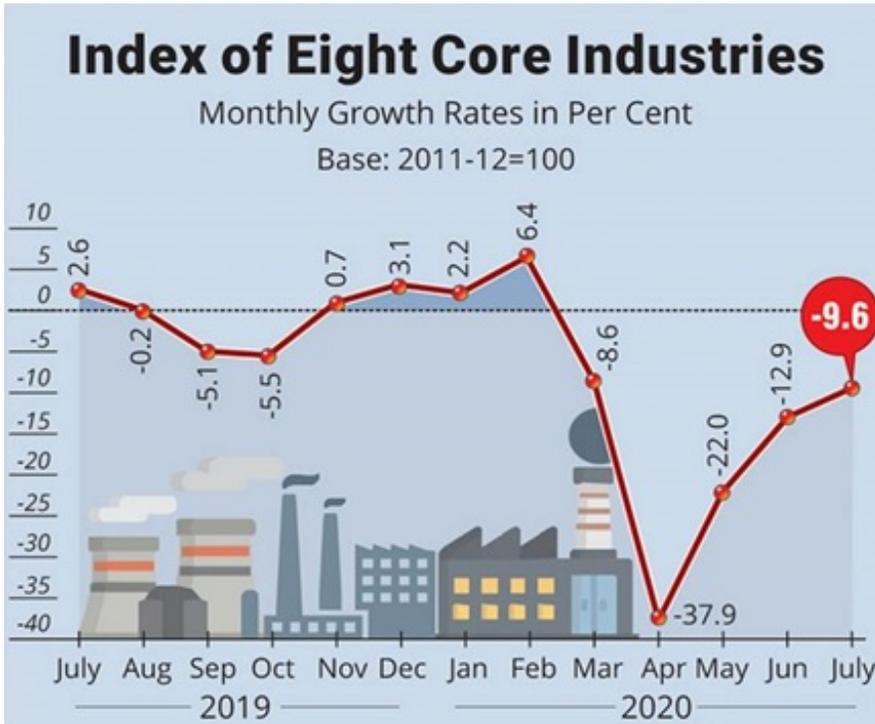
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The output of eight core infrastructure sectors dropped by 9.6% in July 2020. It has been a continued contraction for the past five months.

### Key Points

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- **Reasons:** The contraction is due to a decline mostly in the production of steel, refinery products, and cement.
  - In general, the weak demand and over-supply along with global and domestic disruptions due to Covid-19 are hampering the mobilization of economic resources.
  - In July, local demand growth has slowed because of high fuel prices, renewed lockdown in parts of the country, and as monsoon rains hit transport, industrial and construction activity.
- **Scenario:**
  - The production of eight core sectors had expanded by 2.6% in July 2019.
  - Barring Fertiliser (grew by 6.9%), all seven sectors — coal, crude oil, natural gas, refinery products, steel, cement and electricity — recorded negative growth in July.
  - The output of steel saw the highest decline (16.5%). It was followed by refinery products (13.9%).
  - The minimum contraction in the output is in the electricity sector with 2.3%.



### Core Sector Industries

- The **eight core sector industries** include coal, crude oil, natural gas, refinery products, fertiliser, steel, cement, and electricity
- These 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**.
- **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 IE**