



Core Sector Output

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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