Core Sector Output

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

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