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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 <u>Covid-19</u> pandemic as well as its <u>second</u> <u>wave</u>.

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 <u>National Statistical Office (NSO)</u>, 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 <u>GDP (Gross Domestic Product)</u> estimates.

Source: TH

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