

4. Eight Core Sectors Shrink 0.5% in August

Prelims: Economics- Industries

Mains: GS-III- Indian Economy and Issues Relating to Planning, Mobilization, of Resources, Growth, Development and Employment.

Why in News?

- ▶▶ The eight core sectors that form the bellwether for the Indian economy slumped in August to their lowest growth in four years and four months as per the Index of Eight Core Industries.

About the Slump:

- ▶▶ The index for these industries contracted 0.5%, the weakest since April 2015. Growth in five sectors of the Index of Eight Core Industries fell into the negative zone in August.
- ▶▶ Within the Index, the coal sector saw the sharpest contraction, with the sector contracting 8.6% in August 2019 compared with a contraction of 1.6% in the previous month. This is the sector's worst performance in three years.
- ▶▶ It is an indication of a continuing slowdown and weak demand in the system. The core sectors reflect demand from the power and infrastructure sectors, where the government's own demand is important and public sector spending has been also low.

About Index of Eight Core Industries (ICI):

- ▶▶ It is **monthly production volume index** considered as lead indicator of monthly industrial performance. It measures performance of production in selected eight core industries viz. Natural Gas, Coal, Crude Oil, Fertilizers, Petroleum Refinery Products, Steel, Cement and Electricity.
- ▶▶ It is compiled and released by Office of Economic Adviser (OEA), Department of Industrial Policy & Promotion (DIPP), Ministry of Commerce & Industry.
- ▶▶ The eight infrastructure sectors, constitute 40.27% of total index of industrial production (IIP).
- ▶▶ Base year taken as reference for ICI is 2011-12.

Components of Eight Core Industries (ICI)

S.No	Eight core Industries	Contribution to IIP	Description
1.	Coal	4.38 %	It includes coal production excluding coking coal.
2.	Crude Oil	5.22 %	It includes total crude oil production.
3.	Natural Gas	1.71 %	It includes total natural gas production.
4.	Refinery Products	5.94%	It includes total refinery production (in terms of crude throughput).
5.	Fertilizers	1.25%	It includes production of Urea, Calcium Ammonium Nitrate (CAN), Ammonium Sulphate (A/S), Diammonium Phosphate (DAP), Ammonium chloride (A/C), Complex Grade Fertilizer and Single superphosphate (SSP).
6.	Steel	6.68%	It includes production of alloy and non-alloy steel only.
7.	Cement	2.41%	It includes production of both large plants and mini plants.
8.	Electricity	10.32%	It includes actual electricity generation of thermal, nuclear, hydro, imports from Bhutan.

What is IIP?

- ▶▶ Index of Industrial Production (IIP) is a composite indicator measuring changes in the volume of production of a basket of industrial products over a period of time, with respect to a chosen base period. **Currently, the base year is 2011-12.**
- ▶▶ It is computed and published by the Central Statistical Office (an office under the Ministry of Statistics and Programme Implementation) on **monthly basis** with a time lag of six weeks from the reference month.