Revised Index of Core Industries (ICI) – Iron Ore Inclusion and India’s Statistical Overhaul

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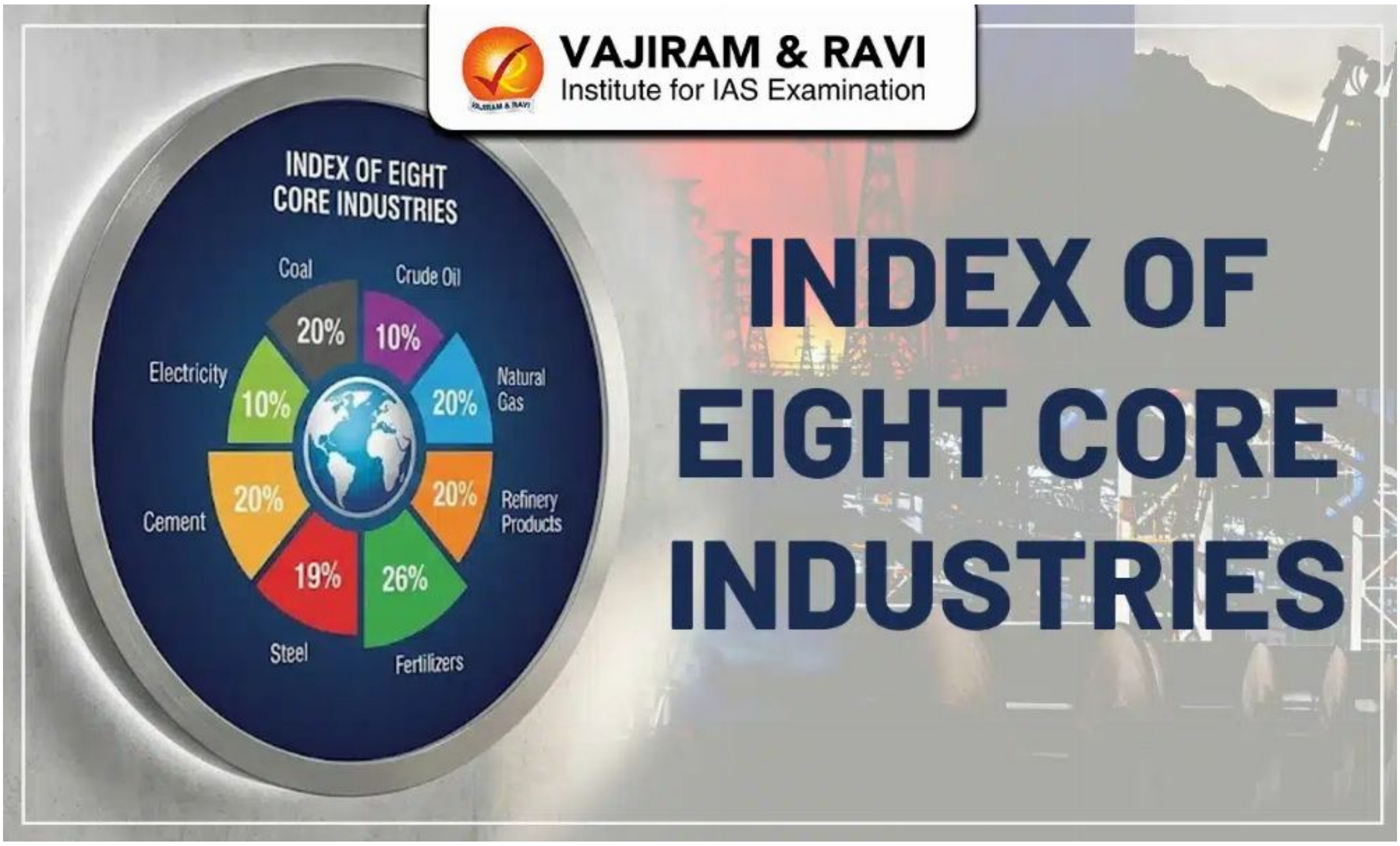

Index of Core Industries (ICI) Latest News

- The Office of Economic Adviser (**OEA**) under the Department for Promotion of Industry and Internal Trade (**DPIIT**) has released the revised Index of Core Industries (ICI) with **2022–23** as the new base year, replacing 2011–12.
- The revised index recorded 5% growth in June, the highest in five months, largely driven by the inclusion of **iron ore** as the **ninth** core industry.

What is the Index of Core Industries (ICI)?

  - The ICI is a **monthly** indicator measuring the production performance of India’s key infrastructure and industrial sectors.
  - It serves as an **early indicator** of industrial activity and significantly influences the **Index of Industrial Production (IIP)**.

- **Core Industries under the revised ICI (2022–23 Base Year):**
    - The index now covers 9 industries – Coal, Crude Oil, Natural Gas, Refinery Products, Fertilisers, Steel, Cement, Electricity, and Iron Ore (newly added).
    - These sectors together account for **32.88%** of the weight in the IIP, making ICI an important leading indicator of industrial growth.
- **Timeline of ICI evolution:** Initial series (1980–81), first revision (1993–94), Fertilisers and Natural Gas added (2004–05), and previous base year (2011–12).

Major Changes in the Revised ICI

- **Inclusion of iron ore:**
    - Iron ore has been added following the recommendations of the **Praveen Mahto** Committee (2025). It contributes 4.9% to the revised index.
    - Production surged 43.9% in June, significantly boosting overall core sector growth.
- **Updated sectoral weights:** Major changes in weights reflect the current structure of the economy –
    - **Electricity** now carries the highest weight (30.93%), replacing refinery products.
    - Weights of coal, crude oil and refinery products have declined.
    - Iron ore has been assigned a 4.9% weight.
- **Methodological improvements:**
    - Steel index is now compiled using gross production data.
    - Coal index includes only raw coal, excluding washed coal and coal middlings to avoid double counting.
    - Weights have been aligned with the revised IIP (2022–23 base year).

Performance of Core Industries (June 2026)

- **Growth drivers:**
    - **Overall ICI growth:** 5% (highest in five months).
    - **Iron ore:** 43.9% growth due to strong production and a low base effect.
    - **Electricity**: 9.8% growth, driven by higher power demand amid heatwaves and rainfall deficit.
    - **Cement**: 9.8% growth.
    - **Steel**: 4.6% growth.
    - **Coal**: 1.4% growth after three months of decline.
- **Sectors under pressure:**
    - Production declined in petroleum-related industries –
        - **Crude oil**: –4.2% (18th consecutive monthly decline).
        - **Natural gas**: –7.4% (24th consecutive monthly decline).
        - **Refinery products**: –4.7% (third straight monthly decline).
        - **Fertilisers**: –3.3% (fourth consecutive decline).
    - Lower global crude oil prices increased imports, reducing domestic production of petroleum products and fertilisers.
- **Revision of historical growth estimates:** The revised series has altered earlier estimates –

- **2024–25:** Core sector growth revised down from 6.9% to 4.3%.
- **2025–26:** Growth revised up from 1.1% to 3%.
- **May 2026 growth**: Revised upward from 1% to 3.2%.

ICI, IIP and ISP – India's Three Monthly Economic Indicators

- **ICI**: Tracks production of 9 core sectors and released by OEA, DPIIT, with revised base year of 2022–23.
- **IIP**: Measures industrial output across Mining; Manufacturing; Electricity; Gas Supply & Water Supply, Sewerage and Waste Management (**newly added**) and released by National Statistical Office (NSO), MoSPI, with a base year of 2022–23.
- **Index of Services Production (ISP)**:
  - India's **first** official monthly indicator measuring output in the formal services sector, and released by MoSPI, with a base year of 2024–25 (trial).
  - It covers 19 service sub-sectors, representing nearly 60% of India's services sector.
  - Uses GST data and administrative records, rather than direct production surveys.
  - Health and education are currently excluded due to GST exemption but are proposed to be included using administrative data, which could raise coverage to around 80%.
- **Relationship:**
  - ICI is a leading indicator of IIP, as core industries contribute 32.88% to the IIP.
  - ISP complements IIP, enabling monthly tracking of the services sector and providing a more comprehensive picture of economic activity.

Significance for the Economy

- The revised ICI strengthens India's economic statistics by –
  - Providing an early signal of industrial and economic momentum.
  - Supporting **evidence-based** policy formulation.
  - Helping forecast GDP growth and industrial performance.
  - Tracking supply-side inflationary pressures.
  - Improving the representativeness and **accuracy** of official statistics through an updated base year and improved methodology.

Source: **IE**
