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EDITORIAL ANALYSIS

Reading the Engine Room: What the Revamped Core Sector Index Tells Us

BUSINESS STANDARD

22 July 2026 · ECONOMY · GS3

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Business Standard 22 July 2026 GS3

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THE LIFT LINE

When core-sector output grew about **5 per cent** in June 2026, a multi-month high, the number made headlines. Fewer people noticed that the index producing that number had just been rebuilt from the ground up. The **Index of Eight Core Industries** is now the **Index of Nine Core Industries**, with **iron ore** added and the base year shifted from **2011-12 to 2022-23**. For an aspirant, the lesson is not the 5 per cent. It is that a headline is only as trustworthy as the ruler that measures it, and reading industrial data critically is a skill the exam rewards.

WHY THIS EDITORIAL MATTERS FOR YOUR EXAM

Industrial performance, the measurement of the economy and the interpretation of official statistics are recurring Mains and Prelims themes. A methodology change in a flagship indicator is exactly the kind of current, concrete development UPSC likes to test, because it separates candidates who memorise a number from those who understand what the number means.

The core sector is not a niche series. It feeds directly into the broader index of factory output, so a revamp here ripples across how India reads its own industrial momentum.

GS Paper 3: Indian economy, mobilisation of resources, growth and development; issues relating to planning and the measurement of economic performance; industrial policy and the interpretation of production data.

For **Prelims**, hold the specifics: the **Index of Core Industries (ICI)** now covers **nine industries** after adding **iron ore** to coal, crude oil, natural gas, refinery products, fertilisers, steel, cement and electricity; the base year is **2022-23** (revised from 2011-12); the index is compiled and released by the **Office of the Economic Adviser** under the **Department for Promotion of Industry and Internal Trade (DPIIT)**; and the core sector carries a large weight in the **Index of Industrial Production (IIP)**, which is why core-sector trends anticipate the wider IIP.

For **Mains**, the argument to carry is that the credibility of policy depends on the credibility of the statistics behind it, and that periodic rebasing and expansion of indices is a sign of statistical health, not weakness, provided the process is transparent.

BACKGROUND AND CONTEXT

The Index of Core Industries tracks the output of the foundational industries that supply inputs to the rest of the economy. Because these industries sit upstream, their performance signals momentum before it shows up in final production. For years the index covered eight industries with a base year of 2011-12. Over more than a decade, the structure of Indian industry changed: consumption baskets shifted, new capacity came up and the 2011-12 weights drifted away from present reality.

A base year is the reference period against which current output is compared and from which the weights of each industry are drawn. When it is old, the index can misstate momentum, over-weighting industries that have shrunk in importance and under-weighting those that have grown. Rebasing to **2022-23** realigns the weights with the current shape of the economy. Adding **iron ore** as the ninth industry captures a key mineral input to the steel value chain that the earlier eight-industry frame left out.

The revamp comes as core-sector growth touched about **5 per cent** in June 2026, its strongest reading in several months, led by steel, cement and electricity. The temptation is to read the number as a clean signal of recovery. The more careful reading asks how much of the improvement reflects genuine momentum and how much reflects the new base and the new industry.

THE CORE ARGUMENT / ISSUE

The central argument is that the methodology overhaul deserves as much attention as the headline growth figure, because a rebased, expanded index changes what the number means, and treating any single print as self-explanatory is a mistake an informed reader should not make.

The Base Year Is Not a Technicality

Shifting the base year to 2022-23 resets the weights each industry carries. An industry that has expanded since 2011-12 now pulls more weight; one that has stagnated pulls less. This means the same physical output can produce a different index reading before and after the revamp. Comparing growth across the old and new series without adjustment is comparing two different rulers.

Adding Iron Ore Changes the Composition

Iron ore joins as the ninth industry, deepening the index's coverage of the steel chain. This makes the index a fuller picture of heavy industry, but it also means the aggregate now responds to mining trends it previously ignored. The composition of the index, not just its level, has shifted.

The Core Sector Leads the IIP

Because the core industries carry a large weight in the IIP, the revamp feeds forward. A cleaner, better-weighted core index should make the IIP a sharper gauge of industrial health, which matters for everything from monetary policy reading to fiscal forecasting.

FEATURE	OLD INDEX	REVAMPED INDEX
Number of industries	Eight	**Nine** (iron ore added)
Base year	2011-12	**2022-23**
Compiling body	Office of the Economic Adviser, DPIIT	Office of the Economic Adviser, DPIIT
Link to IIP	Large weight in IIP	Large weight, better aligned
June 2026 growth	Not comparable directly	About **5 per cent**, multi-month high

HOW TO THINK ABOUT THIS (ANALYTICAL FRAME)

Separate the signal from the instrument. A production number is a signal; the index is the instrument that reads it, and changing the instrument changes what the signal says. Apply the base-effect lens: strong growth against a weak year can flatter, and weak growth against a strong year can mislead, so always ask what the comparison period was. Add the representativeness lens: an index is only as good as its weights, and weights that reflect a decade-old economy quietly distort. Finally, apply the data-literacy lens the exam prizes: an informed citizen and an informed administrator do not accept a headline at face value; they ask how it was measured, what changed and whether the comparison is like-for-like. Read this way, the revamp is not a distraction from the 5 per cent. It is the context that gives the 5 per cent meaning.

THE DIAGRAM IN WORDS

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Old eight-industry core index, base 2011-12 -> economy's structure drifts over a decade -> weights no longer represent reality -> revamp: add iron ore (nine industries), rebase to 2022-23 -> weights realigned, coverage deepened -> June 2026 reads about 5 per cent, a multi-month high -> cleaner core index feeds the IIP -> sharper reading of industrial momentum -> better-informed policy
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WAY FORWARD

1. **Communicate methodology transparently.** The Office of the Economic Adviser should publish clear back-series and bridging notes so users can compare old and new readings without being misled by the base change.
2. **Read growth with the base effect in mind.** Analysts and administrators should always check the comparison period before celebrating or worrying about a single print, distinguishing genuine momentum from a favourable base.
3. **Institutionalise periodic rebasing.** Rebasing should happen on a regular, predictable schedule so indices never drift a decade out of date again, keeping the ruler aligned with the economy.

4. **Build public data literacy.** Government and educators should treat the ability to interpret official statistics critically as a civic skill, so headlines inform rather than mislead.

PYQ LINKAGE AND PRACTICE

UPSC has repeatedly probed the measurement and interpretation of economic performance (2021 Mains on the difference between economic growth and development; recurring Prelims questions on the IIP, base years and index composition; 2017 on the relevance of GDP as a measure). This editorial anchors those with the live core-sector revamp and the data-literacy argument.

Practice question: “The credibility of economic policy rests on the credibility of the statistics behind it.” In light of the recent revamp of India’s core industries index, discuss why the methodology of an economic indicator matters as much as the number it produces. (15 marks, 250 words)

Sources: Business Standard, Office of the Economic Adviser, DPIIT

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