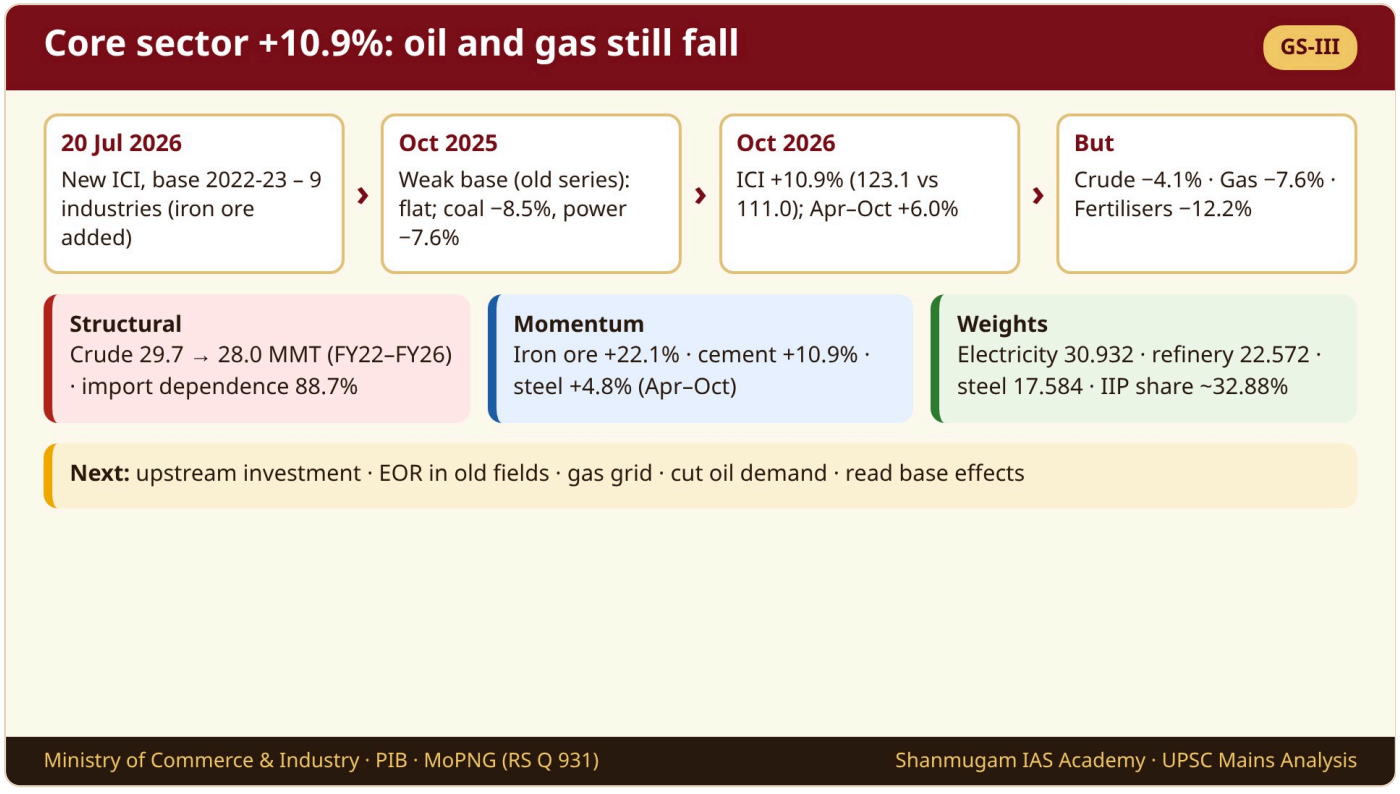
Mains Analysis: Core sector grows 10.9% – why oil and gas still shrink

Topics: Indian Economy – Industry, Energy Security, Index of Core Industries · GS-III · UPSC Mains Analysis

Key takeaways

- The Index of Core Industries grew 10.9% in October 2026 (provisional; released 20 November 2026) and 6.0% in April–October, but crude oil (−4.1%), natural gas (−7.6%) and fertilisers (−12.2%) contracted.
- The index now has nine industries with base year 2022-23 (iron ore added; electricity weight 30.932). Much of the jump in coal and power is a base effect from a flat October 2025; oil and gas fell despite a low base – a structural decline.
- Crude output fell from 29.7 MMT (2021-22) to 28.0 MMT (2025-26) and import dependence rose to 88.7% (MoPNG, Rajya Sabha, 27 July 2026). Remedies: upstream investment, EOR, gas grid and lower oil demand. PYQs: Prelims 2015 and 2012.



Why in news

On **20 November 2026**, the Office of the Economic Adviser (OEA), Department for Promotion of Industry and Internal Trade (DPIIT), released the **Index of Core Industries (ICI)** for October 2026: output grew **10.9%** year-on-year (provisional), up from a revised 8.2% in September. Six of the nine industries grew –

but **crude oil (−4.1%), natural gas (−7.6%) and fertilisers (−12.2%) contracted**, even though October 2025 had been a weak month.

First, know the new index (base 2022-23)

From the release of 20 July 2026 (data for June 2026), the ICI moved to a new base year **2022-23**, replacing the 2011-12 series. **Iron ore was added as a ninth industry**, so the familiar name "eight core industries" is now outdated. Weights are derived from the IIP (2022-23) weights; only raw coal is counted (to avoid double counting); steel uses gross production; the back series starts from April 2023.

Industry	Weight – old series (2011-12)	Weight – new series (2022-23)
Electricity	19.85	**30.932** (highest)
Refinery products	28.04 (highest)	22.572
Steel	17.92	17.584
Crude oil	8.98	7.430
Coal	10.33	5.596
Iron ore	–	4.905 (new)
Cement	5.37	4.410
Natural gas	6.88	3.841
Fertilisers	2.63	2.731

The core industries' combined weight in the Index of Industrial Production (IIP) is now about **32.88%** (it was 40.27% in the 2011-12 series).

October 2026 – the numbers

Industry	Oct 2026 growth (%)	Apr–Oct 2026 growth (%)
Iron ore	26.4	22.1
Coal	23.1	2.5
Electricity	21.6	11.8
Cement	15.4	10.9
Steel	7.3	4.8
Refinery products	3.4	1.0

Industry	Oct 2026 growth (%)	Apr–Oct 2026 growth (%)
Crude oil	**−4.1**	−3.7
Natural gas	**−7.6**	−4.8
Fertilisers	**−12.2**	−8.3
Overall ICI	**10.9** (index 123.1 vs 111.0)	**6.0** (vs 2.3% a year earlier)

Source: Ministry of Commerce and Industry release, 20 November 2026 (provisional; as reported by DD News and ANI). The ICI grew 4.3% in 2024-25 and 3.0% in 2025-26. November 2026 data are due on 21 December 2026.

Reading the numbers: base effect vs real momentum

- **Low base:** in October 2025 (old series, provisional) the core index was flat (0%), with coal −8.5% and electricity −7.6%. So a large part of the 2026 jump in coal (23.1%) and electricity (21.6%) is a **base effect**.
- **Genuine strength:** cement (10.9%) and iron ore (22.1%) are growing fast over the whole April–October period, in line with construction and infrastructure demand.
- **The worry:** crude oil (−1.2%) and natural gas (−5.0%) had *also* fallen in October 2025. Falling again on a low base shows a **structural decline**, not a one-month blip.
- **Refinery output still grew (3.4%)** because Indian refineries run mostly on **imported crude** – the economy grows, but energy dependence rises.

Why crude oil and gas output keeps falling

Year	Crude import dependence (%)	Domestic crude (MMT)	Net natural gas (MMSCM)
2021-22	85.5	29.7	33,131
2022-23	87.4	29.2	33,664
2023-24	87.8	29.4	35,717
2024-25	88.3	28.7	35,594
2025-26 (P)	**88.7**	**28.0**	34,326

Source: Ministry of Petroleum and Natural Gas, Rajya Sabha Unstarred Question 931, 27 July 2026 (PPAC data).

- **Ageing fields:** most output comes from mature fields in natural decline; the Ministry cites rising water cut, sand ingress, limited reservoir influx and complex subsurface geology. ONGC and OIL have held the decline to about 2% a year since 2014-15.

- **Gas:** new deepwater output from the Krishna-Godavari basin lifted gas production to a peak in 2023-24; it has slipped since.
- **Fertilisers:** one month's fall needs watching rather than over-reading – but domestic urea production relies on natural gas, much of it imported LNG, so gas availability and prices matter.

What the Government has done

- **Hydrocarbon Exploration and Licensing Policy (HELP, 2016)** with Open Acreage Licensing; a shift from production-sharing to **revenue-sharing** contracts.
- **Oilfields (Regulation and Development) Amendment Act, 2025** – to modernise the licensing framework for upstream oil and gas.
- Release of earlier offshore **"No-Go" areas** for exploration; enhanced oil recovery programmes in ageing fields.

Why the core sector matters

- Core industries supply the inputs for almost all other activity – power, fuel, steel, cement – so the ICI is an early signal for the IIP (released by MoSPI later in the month) and for GDP from industry.
- Strong cement, steel and iron ore show the **infrastructure push** is working; weak oil and gas show the **energy-security gap** – a rising import bill and exposure to global price shocks.

Static syllabus link

- **GS-III:** Indian economy – growth, industrial policy, infrastructure (energy, ports, roads), mobilisation of resources; energy security and import dependence.
- **Concepts:** base effect; IIP vs ICI; lead indicators; current account deficit and oil prices; natural decline of oil fields.
- **Prelims facts:** ICI – compiled by the OEA, DPIIT (Ministry of Commerce and Industry); IIP – National Statistics Office, MoSPI.

Tamil Nadu angle

- The **Cauvery basin** in Tamil Nadu is one of India's onland oil and gas regions. The **Tamil Nadu Protected Agricultural Zone Development Act, 2020** (Act 11 of 2020) bars new hydrocarbon exploration (oil, natural gas, coal-bed methane) in the delta – Thanjavur, Thiruvarur and Nagapattinam districts and parts of Cuddalore and Pudukkottai.
- This is a real policy trade-off: domestic energy security on one side, food security and farmers' livelihoods on the other – a good example for GS-III answers on "development vs environment".

> **Faculty view**
>
> Never quote a headline growth figure without the base. Write: "10.9% in October 2026, on a flat base", then show which sectors have real momentum (cement, iron ore, steel over April–October) and which are structurally weak (crude oil and gas, falling despite a low base). Use the 88.7% crude import dependence to link the data to energy security. Mention the new nine-industry index with

base 2022-23 – many students still write "eight core industries", and examiners notice updated facts.

Way forward

- **Upstream push:** faster approvals, stable fiscal terms and data access to bring in exploration investment, especially in deepwater and frontier basins.
- **Get more from old fields:** enhanced oil recovery and modern well technology with private and global partners.
- **Gas strategy:** pipeline grid, city gas and a deeper gas market so that domestic production and LNG imports are used efficiently, including for fertilisers.
- **Reduce oil demand growth:** electric mobility, biofuel blending and public transport – energy security through lower dependence, not only higher output.
- **Better data use:** track three-month averages and multi-year comparisons, not one month's base-driven spikes.

Glossary – Base effect

The influence of last year's level on this year's growth rate. Growth is measured against the same month a year earlier; if output in that month was unusually low (a **low base**), even an ordinary month now shows high growth, and if it was unusually high (a **high base**), growth looks weak. October 2025 was a weak month for the core sector (coal and electricity fell sharply), so part of the 10.9% growth in October 2026 is a base effect. The test of a real recovery is whether a sector grows *despite* a low base – crude oil and natural gas fell again even though they had also fallen a year earlier, which points to a structural problem, not a statistical one. Examiners like candidates who separate base effects from momentum (month-on-month change, multi-year averages).

Asked before in UPSC

1. "In the 'Index of Eight Core Industries', which one of the following is given the highest weight? (a) Coal production (b) Electricity generation (c) Fertilizer production (d) Steel production" – Prelims 2015 (answer: electricity generation). In the 2011-12 series refinery products had the highest weight; in the new 2022-23 series electricity is again the highest (30.932).

2. "In India, in the overall Index of Industrial Production, the Indices of Eight Core Industries have a combined weight of 37.90%. Which of the following are among those Eight Core Industries? 1. Cement 2. Fertilizers 3. Natural gas 4. Refinery products 5. Textiles" – Prelims 2012 (answer: 1, 2, 3 and 4). Today the combined weight is about 32.88% and iron ore is the ninth industry.

3. Mains GS-III regularly asks about industrial growth, infrastructure and energy security; this topic fits those themes.

Mains practice question

"India's core sector is growing fast, yet domestic crude oil and natural gas output continues to fall." Analyse the reasons and suggest measures to improve India's energy security. (15 marks, 250 words)

FAQ

How much did the core sector grow in October 2026?

The Index of Core Industries grew 10.9% year-on-year in October 2026 (provisional), and 6.0% in April–October 2026 compared with 2.3% a year earlier.

Are there still eight core industries?

No. Since the new series with base year 2022-23 (first released on 20 July 2026), the index has nine industries – iron ore was added. Electricity has the highest weight (30.932).

Which core industries contracted in October 2026?

Crude oil (−4.1%), natural gas (−7.6%) and fertilisers (−12.2%). The other six grew.

Why is India's crude oil output falling?

Most production comes from mature fields in natural decline, with rising water cut, sand ingress and limited reservoir influx. Output fell from 29.7 million tonnes in 2021-22 to 28.0 million tonnes in 2025-26, and import dependence rose to 88.7%.

Who releases the Index of Core Industries?

The Office of the Economic Adviser, Department for Promotion of Industry and Internal Trade, Ministry of Commerce and Industry, every month.

Sources: PIB – first release of the Index of Core Industries with base year 2022-23 (20 July 2026); Ministry of Commerce and Industry release on the ICI for October 2026 (20 November 2026, as reported by DD News and ANI/The Tribune); All India Radio News on the ICI for October 2025 (20 November 2025); Ministry of Petroleum and Natural Gas, Rajya Sabha Unstarred Question 931 (27 July 2026); OEA, DPIIT – Report of the Committee on Base Year Revision of the ICI (IIP share 32.88%); India Code – Tamil Nadu Act 11 of 2020. Analysis is our own.

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