Syllabus subtopic: Indian Economy and issues relating to planning, mobilization of resources, growth, development and employment.

News: Output of 8 core infrastructure industries contracted by 5.2% in September, indicating the severity of the economic slowdown.

Prelims focus: about 8 core industries, their weightage in Index of Industrial Production

Mains focus: about the recent economic slowdown and its aftermath

About Index Of Industrial Production (IIP)

- **Index of Industrial Production** (IIP) is an index which helps us understand the growth of various sectors in the Indian economy such as mining, electricity and manufacturing.

- IIP is a short term indicator of industrial growth till the results from Annual Survey of Industries (ASI) and National Accounts Statistics (Eg: GDP) are available.

- The base year of the index is given a value of 100. The current base year for the IIP series in India is 2011-12. So, if the current IIP reads 180, it means that there has been 80% industrial growth compared to the base year, i.e. 2011-12.

- Index of Industrial Production (IIP) is released by the Central Statistics Office (CSC) of the Ministry of Statistics and Programme Implementation (MoSPI).

- IIP is published monthly, six weeks after the reference month ends.

The eight Core Industries comprise nearly 37.9% of the weight of items included in the Index of Industrial Production (IIP). The 8 core industries are their relative weight in IIP as is below:

1. Coal (weight: 4.38%).
2. Crude Oil (weight: 5.22%).
3. Natural Gas (weight: 1.71%).
4. Refinery Products (weight: 5.94%).
5. Fertilizers (weight: 1.25%).
6. Steel (weight: 6.68%).
7. Cement (weight: 2.41%).
8. Electricity (weight: 10.32%)
Annual Survey of Industries (ASI) Vs Index of Industrial Production (IIP)

The Industrial Output data is captured and monitored, primarily, through two statistical activities – Annual Survey of Industries (ASI) and Index of Industrial Production (IIP).

ASI

- ASI is calculated on an annual basis
- The ASI is conducted under the Collection of Statistics Act, since 1959.
- The objective is to obtain comprehensive and detailed statistics of industrial sector with the objective of estimating the contribution of registered manufacturing industries as a whole to the national income.
- ASI data is based on the actual book of accounts and other documents maintained by registered factories.

IIP

- IIP is calculated on a monthly basis.
- Data for IIP are collected by various source agencies under different Acts/statutes.
- The IIP is compiled on the basis of data sourced from 16 ministries/administrative departments.

Industry v/s Manufacturing

Though often interchangeably used, the terms industry and manufacturing are different.

The term industry is comprehensive and may be considered as a superset of manufacturing. Industry, in general, refers to an economic activity that is concerned with the production of goods, extraction of minerals and sometimes even for the provision of services. Thus we have iron and steel industry (production of goods), coal mining industry (extraction of coal) and tourism industry (service provider).

So what exactly is manufacturing?

Manufacturing: Production of goods in large quantities after processing from raw materials to more valuable products is called manufacturing.

Industry = Manufacturing + Mining + Electricity + much more.

Share of Industrial Sector in the total GDP of India

The total Industrial sector has only around 27 percent share in the total GDP of India. Over the last two decades, the share of the manufacturing sector has stagnated at 17 per cent of GDP – out of a total of 27 per cent for the industry which includes 10 per cent for mining, quarrying, electricity and gas.

- The share of Manufacturing in the GDP of India – 17%.
- The share of Mining, quarrying, electricity and gas in the GDP of India – 10%.
- Total share of Industrial Sector = 27%