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

Prelims and Mains focus: About the economic slowdown in the Indian economy and its recovery; about IIP, CSO

News: India’s industrial production recovered from three months of contraction to expand by 1.8% in November, signalling an early but weak improvement in the economy.

Background

Manufacturing output had been shrinking for the past three months with a 2.1% contraction in October. It had seen a 0.7% contraction last November.

What contributed to this recovery in IIP?

- The recovery, which comes against the backdrop of near-flat output growth seen in the same month a year ago, was driven by a 2.7% expansion in manufacturing output, official data from the Central Statistics Office (CSO) showed.

- The factory output recovery was also aided by expansion in mining, which grew by 1.7% in November, after two months of contraction and no growth in the month before.

- Electricity generation, however, continued to contract for the fourth month with supply shrinking 5% in November.

- Production of capital goods—machinery used in factories—contracted by 8.6% in November, though not as sharply as was seen in the previous month, indicating the continued scarcity of new investments in manufacturing. Official data had shown earlier in the week that gross fixed capital formation, a
proxy for investments, which rose nearly 10% in FY19, will barely improve by 1% in FY20.

- **Production of consumer durables**, such as household appliances, too, contracted 1.5% in November, its sixth straight month of de-growth.

- Available data suggests the growth of mining output would strengthen in December 2019, while the pace of contraction in electricity generation would narrow, thereby supporting the overall performance of the IIP.

**What does this recovery signify for this year’s budget?**

- The improvement in industrial production is likely to reassure the Narendra Modi administration, as it gives shape to its Union budget to be presented on 1 February, that the deceleration in economic growth may finally be ending.

- The budget is widely expected to include measures to stimulate the economy and create jobs, with finance minister Nirmala Sitharaman holding extensive consultations with economists and industry experts. PM Modi told business leaders this week that the economy has the strength to bounce back.

**About Central Statistics Office (CSO)**

- Amid controversies regarding the functioning of India’s official statistical system, the government, last year, decided to merge the Central Statistical Office (CSO) and National Sample Survey Office (NSSO) under the Ministry of Statistics and Programme Implementation (MOSPI) into a single entity.

- The new merged entity has been named the National Statistical Office (NSO) and will continue to be headed by the secretary of MOSPI.

- In an order dated 23 May, 2019 MOSPI said the move will streamline and strengthen the current nodal functions of MOSPI and bring in more synergy by integrating its administrative functions within the ministry.
The allocations of work of the three director-generals of MOSPI have been revamped post merger. At present, the three DGs are allocated Economic Statistics, Social Statistics and Surveys. Under the new work allocation, the DGs will handle Statistics, National Sample Survey and Coordination, Administration and Policy.

The back-series data released in November 2018, which showed that the Indian economy grew at an average 6.67% in the nine years ended 31 March 2014 when the UPA was in power, slower than the 7.35% achieved in the four years ended 31 March 2018, with Narendra Modi as the Prime Minister, created a stir as the data was released by the NITI Aayog instead of the CSO.

Later in January, 2019, two members of the National Statistical Commission, including acting chairman P.C. Mohanan and member JV Meenakshi, resigned from their post alleging interference by the government, including refusal to release the employment survey data. A leaked copy of the employment survey later showed unemployment at a 45-year high, which was contested by the government. Experts have also alleged that the GDP series with the current base year of 2011-12 have overestimated national income.