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

Prelims and Mains focus: about SCES: mandate and significance; About IIP

News: The newly constituted Standing Committee on Economic Statistics (SCES), chaired by former Chief Statistician of India Pronab Sen, in its first meeting on Tuesday decided to form three sub-groups.

What are the functions of the three sub-groups?

One sub-group will look into the details of the Periodic Labour Force Survey and time use survey; the second group will look into Index of Industrial Production (IIP) and Annual Survey of Industries (ASI); and the third group will look into details of Annual Survey of unincorporated sector enterprises and services sector data.

Minutes of the 1st meet

- The committee, in its first meeting, did a stock taking exercise, taking note of the present datasets, one of the members said. Detailed presentations were made on Annual Survey of Industries.
- The three sub-groups will now look into details of two datasets each and make the necessary suggestions. The main committee has decided to hold a meeting on a quarterly basis.

About the SCES

- To review statistics related to economic activity, the Ministry of Statistics and Programme Implementation (MoSPI) had last month constituted a Standing Committee on Economic Statistics chaired by Pronab Sen, in a bid to improve the quality of data amid criticism over the government’s handling of economic data.

- The panel has 27 members in total, including representatives from the United Nations, Reserve Bank of India, Finance Ministry, NITI Aayog, two industry chambers, Tata Trust, and economists and statisticians from several educational institutions.
• The government had also got critics onboard the committee, with three members (now two, after the resignation of Jawaharlal Nehru University professor CP Chandrasekhar) who had, in March last year, signed a joint statement of 108 economists and social scientists that flagged concerns over “political interference” in influencing statistical data in the country.

Mandate of SCES

• The new Standing Committee on Economic Statistics, with 10 non-official members and 15 official members, has been mandated to review the framework for economic indicators pertaining to the industrial sector, the services sector and the labour force statistics.

• It has subsumed four existing committees —

1. Standing Committee on Labour Force Statistics (SCLFS),
2. Standing Committee on Services Sector (SCSS),
3. Standing Committee on Industrial Statistics (SCIS) and
4. Standing Committee on Services Sector and Unincorporated Sector Enterprises (SCSSUSE).

About Index of Industrial Production (IIP)

• Index of Industrial Production (IIP) is an index that shows the performance of different industrial sectors of the Indian economy.
• The IIP is estimated and published on a monthly basis by the Central Statistical Organisation (CSO). As an all India index, it gives general level of industrial activity in the economy.

Importance of IIP

• The IIP is used by public agencies including the Government agencies/ departments including that in the Ministry of Finance, the Reserve Bank of India etc. for policy purposes. The all-India IIP data is used for estimation of Gross Value Added of Manufacturing sector on quarterly basis.
• Similarly, the data is also used extensively by analysts, financial intermediaries and private companies for various purposes.

Index of Industrial Production (IIP) – New series
Any index is to be updated regularly by including new items, updating the base year, changing the methodology in the estimation of index to reflect the changing environment. Here, the CSO brought a new IIP by incorporating certain new elements. This is needed to accommodate the changes happening in the financial sector. Latest changes were made on 12th May 2017.

**Modification of the Index of Industrial Production**

- The modification made by the CSO is to bring a **new base year of 2011-12**. Besides the new base year, different sectors have been amended based on National Industrial Classification (NIC), 2008.

- **National Industrial Classification (NIC)** is an indigenized version of the International Standard Industrial Classification (ISIC) developed by the United Nations Statistics Division (UNSD).

- Significance of the new series is that it uses an improved ISIC version. The NIC 2004 version with the base 2004-05 was based on ISIC version 3.1, whereas the NIC 2008 version adopted in the new series of IIP with base 2011-12 uses the revised ISIC 4 version.

**Following are the main changes brought in the new series of IIP:**

- Base year has been updated to 2011-12 by upgrading the item basket and weighting structure.
- National Industrial Classification (NIC) 2008 has been adopted in the new series of IIP.
- Items in the item basket are selected at NIC 3-digit level to increase representativeness.
- Number of item groups has increased from 399 to 407 out of which 149 are new/ emerging items.
- Electricity generation from renewable energy sources has been included under the ‘Electricity’ sector.
- Weights are rationalised to appropriately to reflect the actual value addition of each sector incorporating effects of subsidies.
- New use-based classification has been adopted with following categorisation: (i) Primary goods, (ii) Capital goods, (iii) Infrastructure/construction goods, (iv) Intermediate goods, (v) Consumer durables, and (vi) Consumer non-durables.
- A review mechanism has been introduced through a **Technical Review**
Data collection for IIP

- The IIP is constructed by the CSO using secondary data. Data is sourced from 14 source agencies in various Ministries/Departments. But the major source of data for IIP is the Department of Industrial Policy and Promotion that supplies data for 322 out of 407 item groups with a weight of 47.54% in overall IIP.
- IIP is released every month in the form of Quick Estimates with a time-lag of 6 weeks as per the norms of IMF.

Components of IIP

- The IIP is basically divided into three sectors though a use-based classification is also provided by the CSO.
- The UNSD recommends inclusion of Mining & Quarrying; Manufacturing; Electricity, Gas steam and Air-conditioning supply; as well as Water supply, Sewerage, Waste management and Remediation activities in IIP. But due to constraints of the data availability on monthly basis, the modified IIP has been limited to Mining, Manufacturing and Electricity sectors only.

Following are the three sectors of the IIP as per the revision based on 2011-12 series.

(i) Mining,
(ii) Manufacturing and
(iii) Electricity as in the old series.

Table: Sectors, number of item groups and weight as per the 2011-12 IIP series

<table>
<thead>
<tr>
<th>Sector</th>
<th>Number of item groups</th>
<th>Weight (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Mining</td>
<td>1</td>
<td>14.373</td>
</tr>
<tr>
<td>2. Manufacturing</td>
<td>405</td>
<td>77.633</td>
</tr>
<tr>
<td>3. Electricity</td>
<td>1</td>
<td>7.994</td>
</tr>
<tr>
<td>Total</td>
<td>407</td>
<td>100</td>
</tr>
</tbody>
</table>
Number of item groups has been increased from 399 under 2004-05 series to 407 under the 2011-12 series. Each item group may contain several sub-industries.

In the new base year (i.e. 2011-12), the 407 item groups are divided under three sectors i.e. Mining (1 item group), Manufacturing (405 item groups) and Electricity (1 item) with weights of 14.37%, 77.63% and 7.99% respectively.

Use-based classification of industries under Index of Industrial Production

Besides the main classification of the index into three sectors i.e., mining, manufacturing and electricity sectors, the IIP is also prepared based on Use based classification. Here, the industries are divided into six use-based sectors:

- Primary Goods,
- Capital Goods,
- Intermediate Goods,
- Infrastructure/ Construction goods,
- Consumer durables and
- Consumer nondurables.

Table: Weights of the different sectors under the used based classification – 2011-12 series

<table>
<thead>
<tr>
<th>Sector</th>
<th>Number of groups</th>
<th>Weights</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary Goods</td>
<td>15</td>
<td>34.05</td>
</tr>
<tr>
<td>Capital Goods</td>
<td>67</td>
<td>8.22</td>
</tr>
<tr>
<td>Intermediate Goods</td>
<td>110</td>
<td>17.22</td>
</tr>
<tr>
<td>Infrastructure/ Construction goods</td>
<td>29</td>
<td>12.34</td>
</tr>
<tr>
<td>Consumer durables</td>
<td>86</td>
<td>12.84</td>
</tr>
<tr>
<td>Consumer nondurables</td>
<td>100</td>
<td>15.33</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>407</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Core industries in the IIP
The Eight Core Industries comprise 40.27% of the weight of items included in the Index of Industrial Production (IIP). These industries are:

Coal, Crude Oil, Natural Gas, Refinery Products, Fertilizers, Steel, Cement and Electricity.

<table>
<thead>
<tr>
<th>Industry</th>
<th>Weight</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coal</td>
<td>10.33</td>
</tr>
<tr>
<td>Crude oil</td>
<td>8.98</td>
</tr>
<tr>
<td>Natural Gas</td>
<td>6.88</td>
</tr>
<tr>
<td>Refinery Products</td>
<td>28.04</td>
</tr>
<tr>
<td>Fertilisers</td>
<td>2.63</td>
</tr>
<tr>
<td>Steel</td>
<td>17.92</td>
</tr>
<tr>
<td>Cement</td>
<td>5.37</td>
</tr>
<tr>
<td>Electricity</td>
<td>19.85</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
</tr>
</tbody>
</table>

The table here shows the eight core industries and their weights. Refinery products has the largest weights among the core industries.