



Index of Industrial Production

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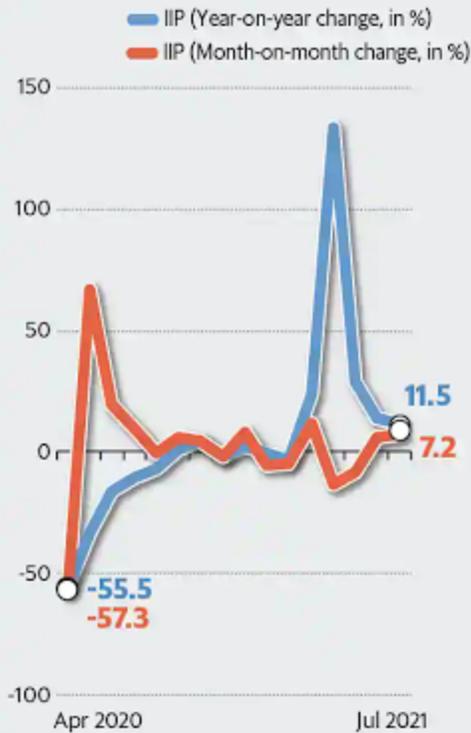
Why in News

India's **industrial output grew by 11.5% in July** compared to a **10.5% contraction a year ago**, as per quick estimates from the **National Statistical Office (NSO)**.

Key Points

Recovery path

Factory output grew 7.2% in July over the preceding month, while the fading of the low base meant y-o-y growth eased to 11.5%.



- About:

- Mining, manufacturing and electricity recorded growth of 19.5%, 10.5% and 11.1%, respectively, albeit driven by favourable base effect.
- The country's output of the **eight core sectors** - also known as the infrastructural output, **grew 9.4%** in July 2021.
- The index substantially bridged the gap with the pre-pandemic level and remained only marginally lower than the July 2019 mark, suggesting a graded pick-up in industrial activities with the easing of curbs in key states as the **Second Covid Wave** waned.
- This recovery is owing to the result of the **Base Effect** due to the **Covid-19** lockdown that affected economic activity in 2020.

The base effect refers to the effect that the choice of a basis of comparison or reference can have on the result of the comparison between data points.

- **Index of Industrial Production:**

- IIP is an indicator that measures the changes in the volume of production of industrial products during a given period.
- It is compiled and published monthly by the **National Statistical Office (NSO)**, Ministry of Statistics and Programme Implementation.
- It is a composite indicator that measures the growth rate of industry groups classified under:
 - **Broad sectors**, namely, Mining, Manufacturing, and Electricity.
 - **Use-based sectors**, namely Basic Goods, Capital Goods, and Intermediate Goods.
- Base Year for IIP is **2011-2012**.
- **Significance of IIP:**
 - It is used by government agencies including the Ministry of Finance, the Reserve Bank of India, etc, for policy-making purposes.
 - IIP remains extremely relevant for the calculation of the quarterly and advance **GDP (Gross Domestic Product)** estimates.

- **About Eight Core Sectors:**

- These **comprise 40.27% of the weight of items** included in the Index of Industrial Production (IIP).
- The eight core sector industries in decreasing order of their weightage: **Refinery Products > Electricity > Steel > Coal > Crude Oil > Natural Gas > Cement > Fertilizers.**

Source: PIB