



# Index of Industrial Production (IIP)

## Why in News

The **Index of Industrial Production (IIP)** for the month of September 2019 has **contracted by 4.3 %** as **compared to** the month of September 2018.

- This is the first time after **November 2012** that all **three broad-based sectors (Mining, Manufacturing, and Electricity)** have contracted and the **lowest monthly growth** in the **2011-12 base year series**.

## Reasons for Recent IIP Contraction

- **Lower agricultural growth impacting rural demand adversely:** India is witnessing **agricultural distress** because of multiple factors like lack of easy credit, the declining average size of farm holdings, poor policy, and planning, etc.
- **A slowdown in the Indian industrial sector:** Indian **industrial sector is facing slowdown** driven by disruptive technologies, changes in consumer behaviour, changing global industrial scenario, etc.
- **Structural growth slowdown in the Indian Economy:** India is facing a long-term, **deep-rooted economic slowdown** which would require the government to undertake some structural policies like economic reforms of 1991.

## Index of Industrial Production

- The Index of Industrial Production (IIP) is an index that shows the **growth rates in different industry groups of the economy in a fixed period of time**.
- It is compiled and published **monthly** by the **Central Statistical Organization (CSO)**, Ministry of Statistics and Programme Implementation.
- IIP 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**.
- The **eight core industries** of India represent about **40% of the weight of items** that are included in the **IIP**.
- Significance of IIP :
  - IIP is the **only measure** on the **physical volume of production**.
  - 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 estimates**.

[Source: TH](#)

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