

## **2. Shrinkage in IIP recorded the Lowest in 8 Years**

**Prelims: Industries – Textile, E-Commerce, Pharma, Service**

**Mains: GS-III Effects of liberalization on the Economy, Changes in Industrial Policy and their effects on Industrial Growth.**

### **Why in News?**

- According to official data released recently, Industrial activity in September contracted sharply by 4.3%, a historical low, driven by major slowdowns in the capital goods, mining, and manufacturing sectors.

### **Historical Shrinkage:**

- The contraction in the Index of Industrial Production (IIP) in September was compared with the contraction of 1.1% in August. The Index had grown 4.3% in September of the previous year. “This is the first time after November 2012 that all three broad-based sectors have contracted and the lowest monthly growth in the 2011-12 base year series. “In the old (2004-05) base, IIP in October 2011 contracted by 5%.”

Various Sectors	Growth rate in September (%)	Growth rate in August (%)
Capital Goods Sector	Decreased by 20.7	Decreased by 21
Mining Sector	Decreased by 8.5	Increased by 0.1
Manufacturing Sector	Decreased by 3.9	Decreased by 1.2
Electricity Sector	Decreased by 2.6	Decreased by 0.9
Consumer Durables Sector	Decreased by 9.9	Decreased by 9.1
Consumer Non-durables Sector	Decreased by 0.4	Increased by 4.1

- “The Indian economy is presently facing a structural growth slowdown originating from declining household savings rate, and low agricultural growth”.
- “Low agricultural growth is feeding into low agricultural and non-agricultural wage growth in rural areas, which is impacting rural demand adversely.”

### **About IIP:**

- IIP is a composite indicator measuring changes in the volume of production of a basket of industrial products over a period of time, with respect to a chosen base period.

- It is compiled and published on a **monthly basis** by the **Central Statistics Office (CSO)** under the **Ministry of Statistics and Programme Implementation** with a time lag of six weeks from the reference month.
- Base year for IIP is 2011-2012 (Earlier 2004-05) i.e. it is calculated on the basis of their share of GDP at factor cost during 2011-12.
- The revised IIP (2011-12) reflects the changes in industrial sector and also aligns it with base year of other macroeconomic indicators like Wholesale Price Index (WPI) and Gross Domestic Product (GDP).
- IIP covers 865 (Older series 682) items comprising :
  1. Manufacturing (809 items, Older series 620 items) – 77.63%
  2. Mining (55 items, Older Series 61 items) – 14.37%
  3. Electricity (1 item) – 7.99%
- The eight Core Industries comprise nearly 40.27 % of the weight of items included in IIP. They are :
  1. Coal (10.33%)
  2. Crude oil (8.98%)
  3. Natural gas (6.88%)
  4. Refinery products (28.04%)
  5. Fertilizers (2.63%)
  6. Steel (17.92%)
  7. Cement (5.37%)
  8. Electricity (19.85%)