ReWISE

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BRIEFCASE

Index of Industrial Production (IIP)

- Index of Industrial Production (IIP) measures the short term changes in production volumes of industrial products.
- IIP is compiled and published monthly (12th of every month) with time lag of 6 weeks from the reference month by the Central Statistics Office (CSO) of the Ministry of Statistics & Programme Implementation.
- IIP comprises of industries broadly divided into 3 sectors namely Mining, Manufacturing and Electricity.
- In addition to sector break up, IIP is also segregated in term of use based category namely basic goods, intermediate goods, capital goods, consumer durable and non durable goods.
- Chart below shows IIP trend over the years.

IIP trend
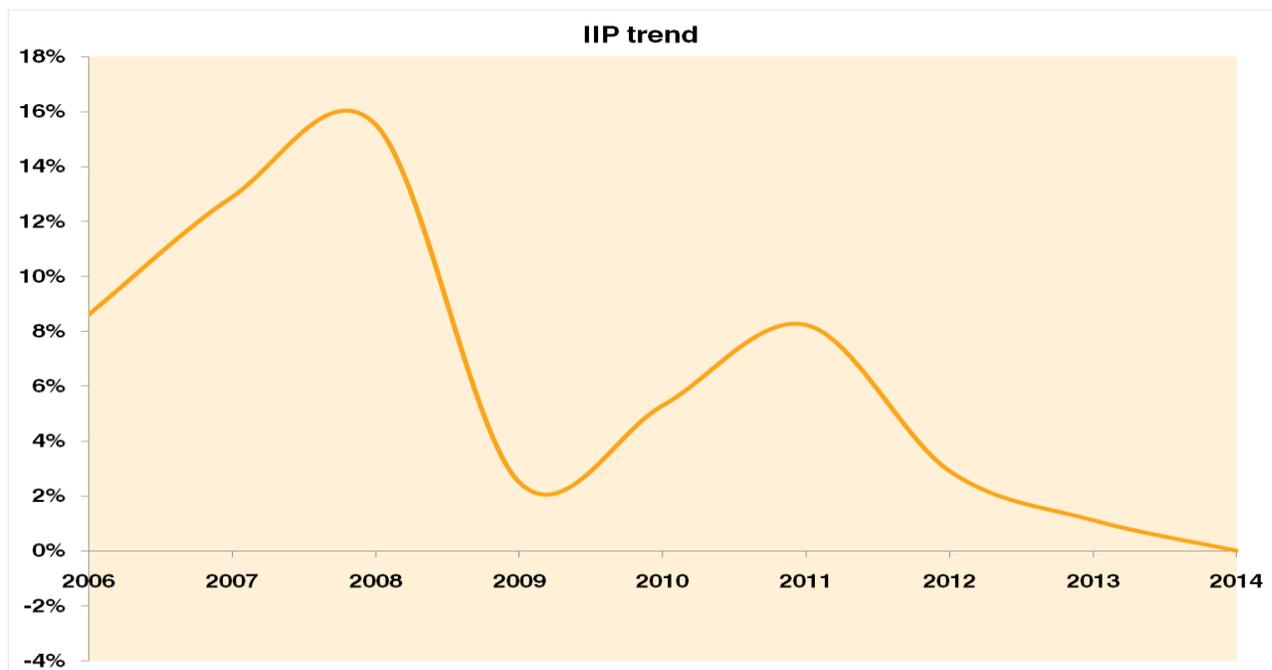
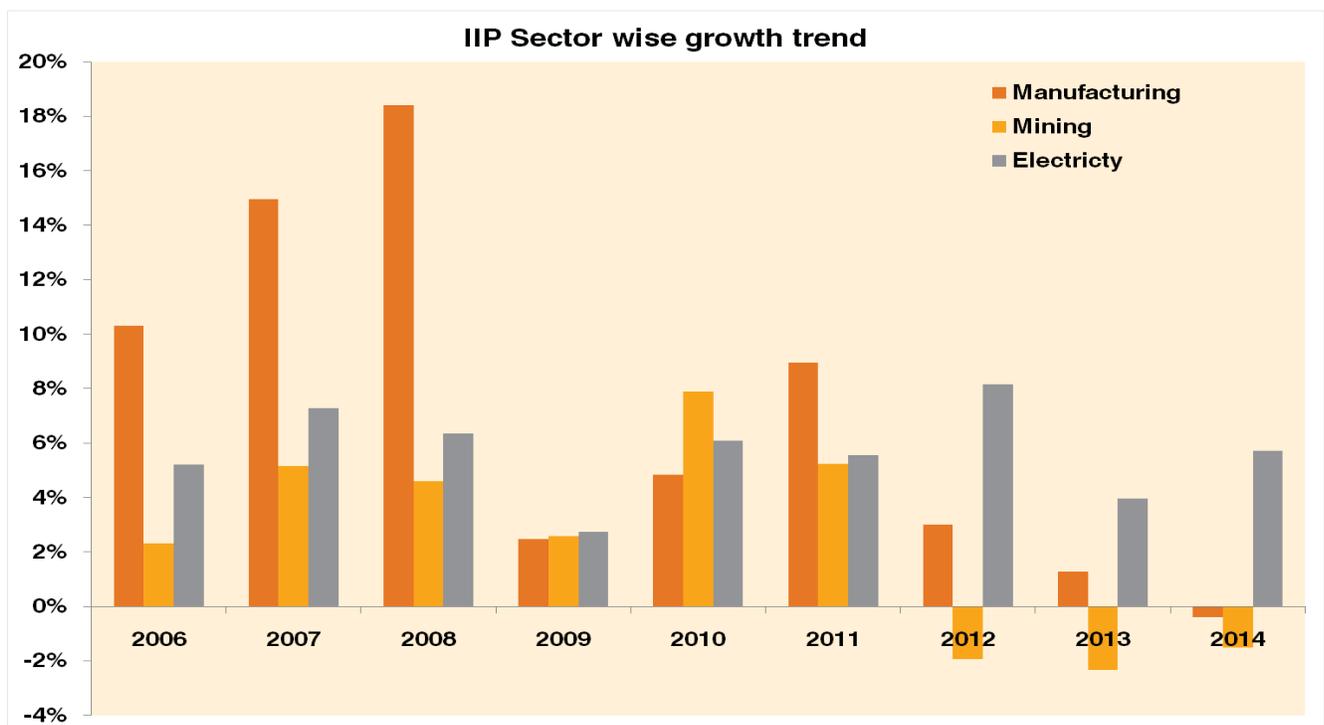*Source: CSO, data for FY2014 is for April-January 2014, Base-2004-05*

- From the above chart, we can see that post 2011 there is slowdown in overall industrial growth.
- FY2014 (April- Jan 2014) has recorded zero growth.

Composition of IIP- Sector Wise

- For computation of IIP, industries are segregated into three sectors-manufacturing, mining, electricity.
- IIP does not include agriculture and service sector.
- Chart below shows broad break up of components comprising IIP sector wise.

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                    │        IIP*         │
                    │     Sector Wise     │
                    └─────────────────────┘
          ┌───────────────────┼───────────────────┐
┌─────────────────────┐ ┌─────────────────┐ ┌─────────────────────┐
│    Manufacturing    │ │      Mining     │ │     Electricity     │
│       75.53%        │ │     14.16%      │ │       10.32%        │
└─────────────────────┘ └─────────────────┘ └─────────────────────┘
      │
┌─────────────────────┐
│ Sub divided into 22 │
│     industries      │
└─────────────────────┘
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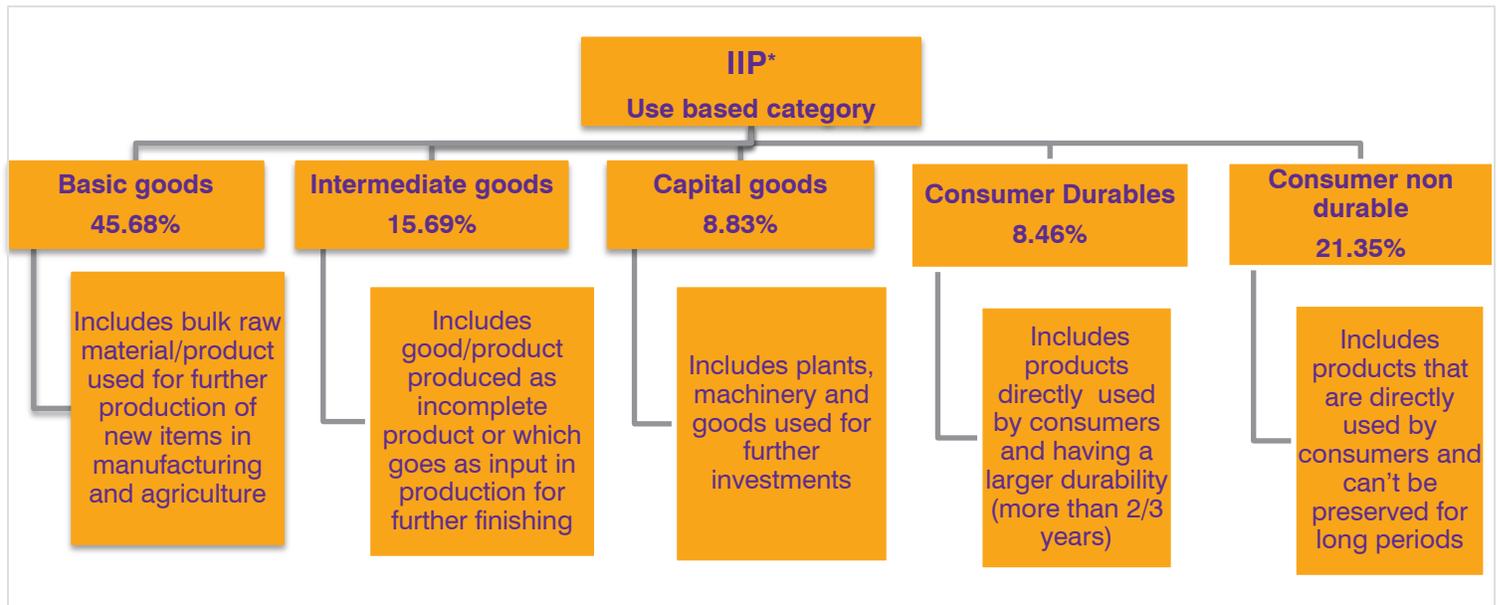- Chart below shows IIP sector wise annual growth trend over the years.

Source: CSO, *data for FY2014 is for April-January 2014, Base-2004-05*

- From the above chart, we can observe slowdown in all the 3 sectors post 2011.
- Among manufacturing sector, capital goods industries like machinery & equipment, computing machinery etc have shown negative growth post 2011.
- Manufacturing sector after recording high growth rate of 18.4% in 2008 has been growing in single digits between 2009 and 2011.
- Mining sector has been witnessing contraction post 2011 which in turn affects the manufacturing sector.
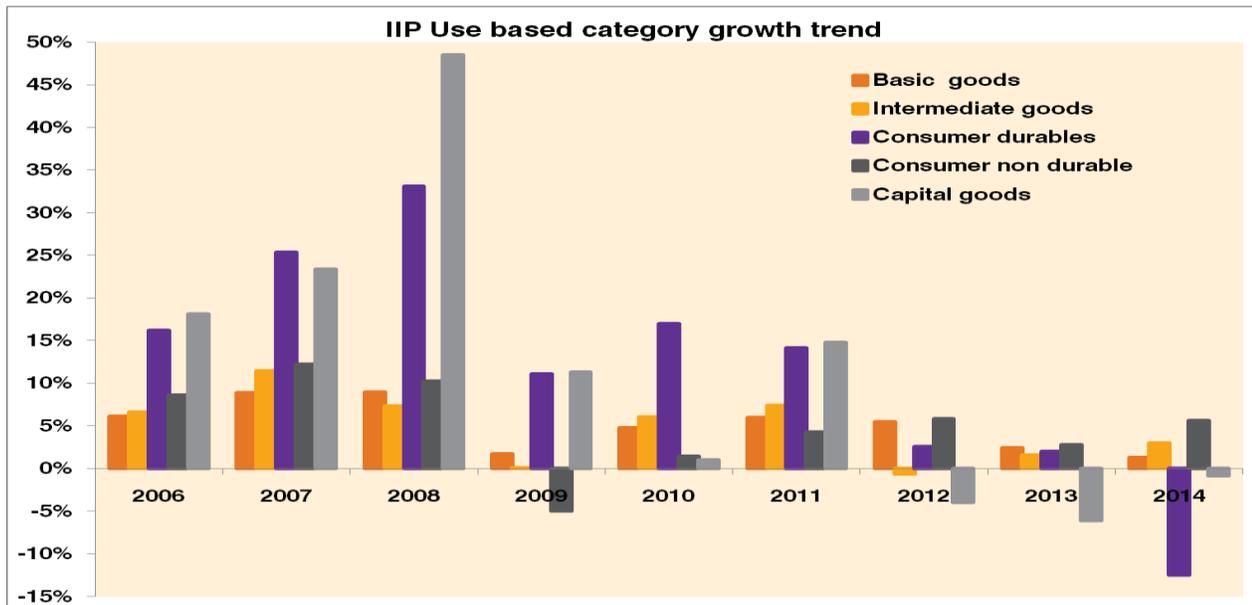- Electricity sector has been growing on an average of 5.7%.

Composition of IIP- Use based category

- Apart from sector wise break up of industrial production, industries are also segregated in term of use based category namely basic goods, intermediate goods, capital goods, consumer durable and non durable goods.

IIP*
Use based category

Basic goods 45.68%	Intermediate goods 15.69%	Capital goods 8.83%	Consumer Durables 8.46%	Consumer non durable 21.35%
Includes bulk raw material/product used for further production of new items in manufacturing and agriculture	Includes good/product produced as incomplete product or which goes as input in production for further finishing	Includes plants, machinery and goods used for further investments	Includes products directly used by consumers and having a larger durability (more than 2/3 years)	Includes products that are directly used by consumers and can't be preserved for long periods

Source: CSO

- From chart below, we can see that industries segregated by used based also shows slowdown post 2011.
- Consumer durable industries which include passenger cars, electronic items etc has slowed down reflecting weak consumer demand.
- For FY2014 (April-Jan), consumer durable industries have recorded negative growth of 12.50%.
- Similar trend is seen in capital goods industries.

Source: CSO, data for FY2014 is for April-January 2014, Base-2004-05

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