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5. IIP Base Year Revision 2022-23 - Economy

The Ministry of Statistics and Programme Implementation (MoSPI) launched a new Index of Industrial Production (IIP) series with 2022-23 as the base year, replacing the earlier 2011-12 base year, to better reflect current industrial growth, emerging sectors, and changing consumer demand. This marks the 10th base year revision since the index started in undivided India — the first-ever IIP used 1937 as base year. The revision was guided by the Technical Advisory Committee for Base Year Revision (TAC-IIP) and aligns with India's simultaneous WPI-to-PPI transition, part of a comprehensive statistical modernization drive under MoSPI.

1. Key Performance Snapshot — April 2026 (New Series)

Overall Industrial Growth

1. India's factory output grew 4.9% in April 2026 (compared to 5.8% in April 2025)
2. Showing stable, moderating growth pace

Manufacturing Strength

1. Manufacturing sector (largest share: 76.06% weight) recorded 6.2% growth
2. Driven by: Electrical machinery and vehicles
3. Broad-based manufacturing recovery

Mining Slowdown

1. Mining and Quarrying sector: (-) 5.1% contraction
2. Due to lower production in fuel, minerals
3. Counter-cyclical drag on overall IIP

Use-Based Trends

1. **Capital Goods:** Rose by **16.0%** (indicating high factory-building activity, investment cycle strengthening)
2. **Infrastructure/Construction Goods:** Up **7.1%** (reflecting construction momentum)
3. **Consumer goods:** Slower growth (basic consumer goods showing tepid demand)

2. About Index of Industrial Production (IIP)

Definition

1. Key monthly economic indicator measuring short-term changes in volume of goods produced by factories, industries
2. Captures manufacturing momentum between quarterly GDP releases

Core Mechanism

1. Published on 12th of every month by National Statistical Office (NSO) under MoSPI
2. Baseline index value always set at 100
3. Current, future production measured as percentage against this baseline score
4. Growth = ((Current period index - Base period index) / Base period index) × 100

Economic Importance

1. Formal GDP data released only quarterly (once every three months)
2. Monthly IIP serves as early check on economy between GDP releases
3. Helps RBI and policymakers:
    1. Judge business speed, industrial momentum

  2. Predict economic growth trajectory
  3. Fix interest rate policies (monetary policy decisions)
  4. Assess sectoral performance for targeted interventions

Historical Base Year Revisions

1. **First IIP:** 1937 base year (undivided India)
2. **2022-23 revision:** 10th base year revision in IIP's history
3. **Previous base year:** 2011-12 (used for over a decade)
4. Frequency of revision reflects evolving economic structure

3. Need for Changing the Base Year

Capturing Emerging Sectors

1. Include fast-growing industries that didn't exist or were very small in 2011
2. Renewable energy, new manufacturing categories, waste management absent from old framework

Fixing Production Patterns

1. Correct old data imbalances caused by declining industries
2. Remove obsolete products, add new high-growth items

Evolving Consumption Trends

1. Match factory data with what people, businesses actually buy today
2. Consumer basket changed significantly since 2011-12

Global Best Practices

1. Align India's methods with United Nations industrial statistics guidelines
2. Improve international comparability of India's industrial data

4. Major Changes in the 2022-23 Framework

Broadened Sectoral Coverage

1. Expanded beyond regular three sectors (Mining, Manufacturing, Electricity)
2. **Brand-new utility sector added:** Water Supply, Sewerage & Waste Management (2.02% weight)
3. Energy sector now includes Gas Supply along with regular electricity
4. Reflects India's modern infrastructure, urban services economy

Green Energy Transition Tracking

1. Electricity index now separates Renewable Sources (solar, wind, hydro) from Non-Renewable Sources (thermal, nuclear)
2. Tracking India's shift to clean energy in industrial statistics
3. Aligning with India's climate commitments, green energy transition narrative

Inclusive Mining Classification

1. Mining now splits into three detailed areas:
   1. Fuel Minerals (coal, oil, gas)
   2. Metallic Minerals including Rare Earths (iron ore, bauxite, rare earths — critical for EVs, electronics)
   3. Non-Metallic Minerals including minor minerals (limestone, sand, gravel)
2. Ensures local mining work fully captured

Revamped Item Basket

1. Product list expanded from 839 items → 1,042 products
2. Grouped into 463 item groups (up from 407)
3. Added items reflect India's changing industrial priorities (new tech, green products)
4. Dropped items: Obsolete, declining industries

Panel Changes and New Sources

1. **Factory Substitution Clause:** When factories close, system switches to working replacement factories preventing data gaps
2. Source agencies increased from 12 → 16 ensuring broader, more reliable data collection

5. Sectoral Weightage: Base 2011-12 vs. Base 2022-23

Sectoral Classification	2011-12 Weight (%)	2011-12 Item Groups	2022-23 Weight (%)	2022-23 Item Groups
Mining & Quarrying	14.372	1	11.053	3
Manufacturing	77.633	405	76.062	455
Electricity & Gas Supply	7.995	1	10.865	3
Water Supply, Sewerage & Waste Management	Not Covered	Not Covered	2.020	2
Total General Index	100.00%	407	100.00%	463

Key Shifts:

1. **Mining:** 14.37% → 11.05% (declining share reflecting structural shift away from mining)
2. **Manufacturing:** 77.63% → 76.06% (slight decline but remains dominant)
3. **Electricity & Gas:** 7.99% → 10.86% (significant increase reflecting energy sector expansion)
4. **Water Supply/Waste Management:** New addition at 2.02% (modern utilities recognition)

6. Significance of the Revision

Accurate Policy Making

1. RBI monetary policy decisions based on more current, accurate industrial data
2. Sectoral interventions targeting correctly identified growth, stress areas

Better GDP Measurement

1. IIP feeds into GDP estimates; accurate IIP = more reliable GDP calculations
2. Particularly important as quarterly GDP relies on monthly IIP trends

Green Transition Monitoring

1. Separate renewable-non-renewable electricity tracking enables evidence-based green policy
2. Measuring India's actual progress toward clean energy targets

Critical Minerals Visibility

1. Rare earth minerals now explicitly tracked in mining classification
2. Essential as India focuses on EV supply chains, semiconductor manufacturing

Alignment with Global Standards

1. UN industrial statistics guidelines compliance improving international comparability
2. Facilitates foreign investor assessment of India's industrial performance

7. Way Forward

1. Regular base year revisions every 5-7 years ensuring data currency
2. Further expand item basket as new industries (AI hardware, green hydrogen equipment) emerge
3. Integrate IIP with GST data for real-time industrial tracking
4. Strengthen state-level IIP indices for regional policy precision
5. Align IIP revisions with National Accounts Statistics updates

8. Conclusion

MoSPI's IIP base year revision to 2022-23 — expanding item basket from 839 to 1,042 products, adding Water Supply/Waste Management as new sector, separating renewable-non-renewable electricity, classifying rare earths in mining, increasing source agencies from 12 to 16, and introducing Factory Substitution Clause — reflects India's commitment to accurate, modern industrial measurement aligned with UN standards and the realities of a green, digital, service-integrated economy.

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