



DAILY EDITORIAL ANALYSIS

## Base and Framework: On the Latest Index of Industrial Production

*Industrial fundamentals have remained resilient, but are not broad-based*

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**How to use:** Read the original editorial first (Page 2), then study the analysis and background. Attempt the Mains question and MCQs before checking answers, and use the essay topics for weekly writing practice.

## 1 | Original Editorial — Reproduced as Published

THE HINDU • EDITORIAL

### Base and framework: On the latest Index of Industrial Production

*Industrial fundamentals have remained resilient, but are not broad-based*

Earlier this week, the Ministry of Statistics and Programme Implementation released the latest Index of Industrial Production (IIP), a key barometer of India's industrial health. The April 2026 print assumes added significance as it is the first release under the new 2022-23 base series and the second full month following the U.S.-Israeli war on Iran. Industrial output grew 4.9% year-on-year in April. While direct comparisons with earlier data should be treated with caution given the extensive revisions to the index's basket, weights and methodology, the numbers suggest that India's industrial fundamentals have remained relatively resilient despite disruptions to global oil and gas supply chains. A granular reading, however, reveals that this resilience is far from broad-based. Capital goods output expanded by a robust 16% year-on-year, reflecting the continuing effects of elevated public capital expenditure and infrastructure spending. By contrast, consumer durables output grew only 4.3%, while consumer non-durables expanded by a modest 2.8%, suggesting that rising fuel and energy costs may be exerting pressure on household consumption.

More significant than the headline growth number, however, is the extensive overhaul of the IIP itself. The revised series seeks to better reflect the structure of a rapidly changing economy. New products and sectors have been incorporated and several obsolete items dropped. A fourth major sector — water supply, sewerage and waste management — has been introduced with a weight of 2.02%. The electricity category has been expanded into Electricity and Gas Supply, with its weight rising to 10.87% from 7.99% earlier. Manufacturing remains the dominant component of the index, though its weight has declined marginally to 76.06% from 77.63%. More notable is the reduction in the weight of mining and quarrying to 11.05% from 14.37%. These shifts suggest that the importance of value-added infrastructure and utility services in gauging industrial activity has expanded, while the relative significance of primary resource extraction has diminished. Together, these changes better capture India's emergence as a components and value-added manufacturing hub integrated into global supply chains. Most importantly, the government has indicated its intention to move towards a chain-linked framework with more frequent updates to sectoral weights. Such a system would allow official statistics to better keep pace with structural changes in the economy, making the IIP a more accurate and timely gauge of industrial health.

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**Themes:** India / Israel-US strikes on Iran / oil & gas — upstream activities / public works & infrastructure / energy & resources / economy (general) / electricity production & distribution / manufacturing & engineering.

## 2 | Context & Why in News

The Ministry of Statistics and Programme Implementation (MoSPI), through the National Statistical Office (NSO), released the Index of Industrial Production (IIP) for April 2026. The release is doubly significant: it is the **first print under the revised 2022-23 base year**, and it is the **second full month of data following the geopolitical disruption arising from the U.S.-Israeli conflict with Iran**, which strained global oil and gas supply chains. The editorial uses this moment to make two arguments — one about the *numbers* (resilient but uneven growth) and one about the *measuring instrument* (a much-needed methodological overhaul).

### The editorial's central thesis

India's industrial growth of **4.9%** is reassuring at the headline level, but it is **driven narrowly by capital goods and public investment** rather than by broad-based consumption. The bigger structural story is the **modernisation of the IIP framework itself**, which now better mirrors a services-and-value-added-oriented economy and is set to become more responsive through chain-linking.

## 3 | Editorial Analysis — Decoding the Argument

### A. Resilient, but not broad-based growth

The 4.9% year-on-year expansion signals that the industrial economy absorbed an external energy shock without contracting. However, the editorial's careful, granular reading exposes a **K-shaped, investment-led pattern**:

- **Capital goods (+16%)**: the strongest performer, powered by sustained *public capital expenditure* and infrastructure spending. This reflects government-led demand, not necessarily private sector confidence.
- **Consumer durables (+4.3%)**: tepid, indicating that discretionary household demand is soft.
- **Consumer non-durables (+2.8%)**: the weakest, pointing to *stress in mass consumption* as higher fuel and energy costs squeeze household budgets.

### Analytical takeaway

Growth resting on public investment while consumption lags is **not self-sustaining**. Durable recovery requires the investment cycle to "crowd in" private demand and revive consumer-facing manufacturing — otherwise the economy remains vulnerable to fiscal consolidation and external price shocks.

### B. The instrument matters as much as the reading

The editorial's more original point is that **how we measure industry has been fundamentally updated**. A statistical index is only as useful as its representativeness; an outdated basket misreads a transforming economy. The shift in sectoral weights (detailed on the next page) is read as evidence of India's structural transition — away from primary extraction and towards utilities, value-added manufacturing and integration into global supply chains.

## 4 | Key Data at a Glance — April 2026 IIP

### Headline & use-based growth (YoY)

Indicator	April 2026 Growth (YoY)	What it signals
Overall IIP	<b>+4.9%</b>	Broad resilience despite oil/gas disruption
Capital goods	<b>+16.0%</b>	Strong public capex & infrastructure push
Consumer durables	<b>+4.3%</b>	Soft discretionary demand
Consumer non-durables	+2.8%	Mass consumption under cost pressure

### Sectoral weights: old vs new base

Component	Old weight (2011-12 base)	New weight (2022-23 base)	Direction
Manufacturing	77.63%	76.06%	▼ <b>slight fall</b>
Mining & quarrying	14.37%	11.05%	▼ <b>notable fall</b>
Electricity → Electricity & Gas Supply	7.99%	10.87%	▲ <b>rise</b>
Water supply, sewerage & waste mgmt <span style="background-color: #c49a3d; color: white; border-radius: 50%; padding: 2px;">NEW</span>	—	2.02%	▲ <b>new sector</b>

#### Why the weight shifts matter

Rising weight for **utilities (electricity, gas, water, waste)** and falling weight for **mining** capture two trends: (i) the growing role of *value-added infrastructure and utility services* in industrial activity, and (ii) the diminishing relative importance of *primary resource extraction*. A fourth sector signals recognition of the **circular economy / sanitation-utility** space as a measurable industrial activity.

#### Caution flag for analysts

Because the **basket, weights and methodology** all changed, year-on-year comparisons across the old and new series must be made carefully. Apparent jumps or dips can partly reflect *methodological revision* rather than real economic change.

## 5 | Background: Understanding the IIP (Additional Information)

### What is the IIP?

The **Index of Industrial Production (IIP)** is a composite indicator that measures the short-term changes in the volume of production of a basket of industrial products relative to a chosen base period. It is a **volume index** (quantity-based, not value-based), released **monthly** with a roughly six-week lag by the **National Statistical Office (NSO)** under MoSPI.

#### Quick facts (exam-ready)

- **Released by:** NSO, Ministry of Statistics & Programme Implementation (MoSPI).
- **Frequency:** Monthly (provisional, later revised).
- **Nature:** Volume/quantum index; a *lead/short-term* indicator of industrial activity.
- **Previous base:** 2011-12 → **Revised base:** 2022-23.
- **Use:** Input for GDP/GVA estimation, monetary & fiscal policy, and tracking the business cycle.

### Two ways the IIP is classified

#### (i) Sectoral classification

Traditionally **three sectors** — Mining, Manufacturing, and Electricity. Under the new base a **fourth sector**, Water Supply & Waste Management, is added, and Electricity is broadened to **Electricity & Gas Supply**.

#### (ii) Use-based classification

- **Primary goods** — e.g., mining, electricity, basic processing.
- **Capital goods** — machinery, equipment (investment indicator).
- **Intermediate goods** — inputs feeding into further production.
- **Infrastructure / construction goods** — cement, steel, etc.
- **Consumer durables** — vehicles, appliances (discretionary demand).
- **Consumer non-durables** — FMCG, daily-use goods (mass consumption).

#### Linkage: Eight Core Industries (ICI)

The **Index of Eight Core Industries** (coal, crude oil, natural gas, refinery products, fertilisers, steel, cement, electricity) makes up a large share of the IIP. It is a useful *early signal* for the IIP's likely direction each month.

## 6 | The New 2022-23 Base Series & Chain-Linking

### Why revise the base year?

Over time the structure of an economy changes — new products appear, old ones become obsolete, and the relative size of sectors shifts. A fixed, ageing base makes the index progressively **less representative**. International best practice (and bodies such as the UN Statistical Commission) recommends **periodic base revision**, ideally every five years or so, to keep the basket and weights current.

#### What changed in the 2022-23 series

- New products and sectors added; obsolete items dropped.
- A new fourth sector: **water supply, sewerage & waste management (2.02%)**.
- **Electricity & Gas Supply** weight up to 10.87% (from 7.99%).
- **Manufacturing** still dominant but slightly down to 76.06%.
- **Mining & quarrying** down to 11.05% (from 14.37%).

### From a fixed-base to a chain-linked index

The conventional IIP is a **fixed-base (Laspeyres-type) index**: it holds the base-year weights constant for many years. The government now intends to move towards a **chain-linked framework**, where weights are **updated more frequently** (e.g., annually) and successive periods are "linked" together.

Feature	Fixed-base index	Chain-linked index
Weights	Constant for ~5+ years	Updated frequently (e.g., yearly)
Representativeness	Decays as economy changes	Stays current
Revision shocks	Large jumps at re-basing	Smoother transitions
Data demand	Lower	Higher — needs timely data

#### Significance

Chain-linking would let official statistics **keep pace with structural change**, reduce distortions from a stale basket, and make the IIP a **more accurate and timely** gauge of industrial health — aligning India with modern international statistical practice.

## 7 | Critical Evaluation, Way Forward & Conclusion

### Strengths reflected in the data

- **Macro resilience:** positive growth despite an external oil/gas shock shows the economy's shock-absorbing capacity.
- **Investment momentum:** double-digit capital goods growth signals an active public investment cycle.
- **Better measurement:** the modernised IIP improves the quality of economic decision-making.

### Concerns & risks

- **Narrow base of growth:** weak consumer non-durables suggest fragile mass demand.
- **Cost-of-living pressure:** elevated fuel/energy costs erode real household purchasing power.
- **External vulnerability:** reliance on imported energy keeps India exposed to West Asian geopolitics.
- **Data continuity:** methodological breaks complicate trend analysis during the transition.

### Way Forward

- Revive **private consumption** through targeted measures and by reining in energy-driven inflation.
- Ensure public capex **crowds in** private investment rather than substituting for it.
- Operationalise **chain-linking** with robust, timely primary data collection.
- Diversify energy sources and strengthen **strategic petroleum reserves** to buffer external shocks.
- Publish clear **back-series/concordance** so the old and new IIP can be compared meaningfully.

### Conclusion

The April 2026 IIP tells a story of an economy that is **resilient at the top but uneven beneath the surface**. The more durable gain, however, is institutional: a **modernised, soon-to-be chain-linked statistical framework** that can finally keep pace with a fast-changing economy. Better measurement is the first step towards better policy.

## 8 | Mains Practice Question (GS Paper III)

**Q.** "A statistical index is only as useful as its representativeness." In the light of the recent rebasing of the Index of Industrial Production (IIP) to 2022-23 and the proposed shift to a chain-linked framework, examine how the changing structure of the Indian economy is reflected in the IIP. Also analyse whether recent industrial growth is broad-based.

**Answer hints:** Define IIP & its role → explain base revision & new weights (utilities up, mining (15 marks, 250 words) down, new 4th sector) → link to structural transition → assess April 2026 growth (capital goods vs consumer goods, K-shaped) → discuss chain-linking benefits → balanced conclusion on measurement & policy.

## 9 | Prelims Practice — 10 MCQs

- The Index of Industrial Production (IIP) in India is released by which of the following?  
(a) Reserve Bank of India (b) NSO, Ministry of Statistics & Programme Implementation (c) NITI Aayog (d) Ministry of Commerce & Industry
- The IIP is best described as a:  
(a) Value-based price index (b) Volume/quantum index (c) Cost-of-living index (d) Sentiment survey index
- The revised IIP series discussed in the editorial uses which base year?  
(a) 2011-12 (b) 2017-18 (c) 2020-21 (d) 2022-23
- Which NEW sector has been added as a fourth major sector in the revised IIP?  
(a) Construction (b) Water supply, sewerage & waste management (c) Information technology (d) Tourism
- In the new base, the weight of "Manufacturing" in the IIP is closest to:  
(a) 64% (b) 70% (c) 76% (d) 88%
- Which component recorded the highest year-on-year growth in the April 2026 IIP?  
(a) Consumer durables (b) Consumer non-durables (c) Capital goods (d) Mining
- Consider the following changes under the new IIP base:
  - Weight of mining & quarrying increased.
  - Electricity category broadened to "Electricity and Gas Supply".
  - Weight of manufacturing declined marginally.Which of the above is/are correct?  
(a) 1 and 2 only (b) 2 and 3 only (c) 1 and 3 only (d) 1, 2 and 3
- A "chain-linked" index, as proposed for the IIP, primarily improves the index by:  
(a) Fixing weights permanently (b) Updating sectoral weights more frequently (c) Converting it into a price index (d) Replacing it with GDP
- Which use-based category of the IIP is the best indicator of *investment activity* in the economy?  
(a) Consumer non-durables (b) Primary goods (c) Capital goods (d) Intermediate goods

10. The "Index of Eight Core Industries", closely watched alongside the IIP, does NOT include which of the following?

- (a) Cement (b) Steel (c) Automobiles (d) Refinery products

**ANSWER KEY:** 1-(b) 2-(b) 3-(d) 4-(b) 5-(c) 6-(c) 7-(b) 8-(b) 9-(c) 10-(c)

**Note on Q7:** Mining's weight *decreased* (14.37% → 11.05%), so statement 1 is wrong; statements 2 & 3 are correct. **Q10:** The eight core industries are coal, crude oil, natural gas, refinery products, fertilisers, steel, cement and electricity — automobiles are not included.

## 10 | Essay Topics for Practice

Use these for weekly essay writing. Each can be argued from economic, social and governance angles.

1. **"What we measure shapes what we do."** — The role of robust statistics in nation-building.
2. Growth without broad-based consumption is a house built on one pillar.
3. From extraction to value addition: the changing anatomy of Indian industry.
4. Energy security is economic security: lessons from global oil and gas shocks.
5. Numbers do not lie, but they can mislead: the challenge of comparing data across changing methodologies.
6. Public investment can light the spark, but only private demand can keep the fire burning.

### Value-addition keywords (for Mains & Essay)

K-shaped recovery • crowding-in vs crowding-out • Laspeyres index • chain-linking • structural transformation • circular economy • value-added manufacturing • global value chains (GVCs) • strategic petroleum reserves • data-to-policy pipeline.