

India to Revise IIP Base Year to 2022-23 for Accurate Industrial Data

October 11, 2025 • vajiramandravi.com



IIP Base Year Revision Latest News

- As economies develop, they undergo structural transformation, where the relative importance of sectors shifts over time.
- Typically, nations move from agriculture-based economies to industrial expansion, and eventually to a services-dominated structure.
- This transition reflects long-term economic growth, greater productivity, and diversified sources of income.
- This article highlights India's plan to **revise the base year of the Index of Industrial Production (IIP)** to better reflect the country's evolving industrial and economic structure.

India's Industrial Growth: Progress and Untapped Potential

- India's **services sector** now dominates the economy, contributing about **62.5% to Gross Value Added (GVA)** — double its share since the 1950s.

- Meanwhile, **agriculture** contributes around **15%**, and **industry** about **22%**, indicating room for expansion.
- Government initiatives such as **Make in India**, **PLI schemes**, **ease of doing business reforms**, and **industrial corridors** have spurred growth across **mining, manufacturing, and electricity** — the three key sectors under the **Index of Industrial Production (IIP)**.
 - The IIP index, is a composite indicator that measures the short-term growth of the industrial sector in India, including mining, electricity, and manufacturing.
 - It is published monthly by the National Statistics Office (NSO) and compares the volume of a selected basket of industrial products in a given period to that of a chosen base year.
 - The current base year for the IIP is 2011-12.
- Post-pandemic, these measures, along with **GST rate cuts**, **deregulation**, and the rise of **new industries**, have strengthened industrial recovery and signalled a **renewed phase of economic dynamism**.

Why India Is Revising the Base Year of the Index of Industrial Production (IIP)

- As India's economy becomes more market-driven and dynamic, the need for timely and accurate industrial data has grown.
- Since industry contributes over one-fifth of national output and links closely with other sectors, updating the Index of Industrial Production (IIP) is essential for capturing real-time economic changes.
- To improve data accuracy, the Ministry of Statistics and Programme Implementation (MoSPI) formed a Technical Advisory Committee for Base Year Revision (TAC-IIP).
- The committee has recommended **revising the IIP base year to 2022-23**, aligning it with the new GDP base year.

Background

- The IIP, first compiled in 1937, has undergone nine base-year revisions to reflect shifts in industry and technology.
- The current revision continues this process, ensuring compliance with the International Recommendations for the Index of Industrial Production (IRIIP) 2010, while adapting it to India's evolving industrial structure.

Key Improvements in the New IIP Base Year Revision

- The upcoming **Index of Industrial Production (IIP) base year revision** introduces major updates to better reflect India's evolving industrial landscape.
- The new series will feature **expanded scope**, **modernised product coverage**, **enhanced data accuracy**, and **methodological refinements**.

Expanded Coverage and Modern Product Basket

- The revised item basket will capture both innovation and obsolescence, removing outdated items like fluorescent tubes, CFLs, kerosene, and printing machinery, and adding laptops, vaccines, LED bulbs, and aerospace components.

- For the first time, the IIP will include data from minor minerals and gas supply, in line with international IRIIP guidelines.
- The **MoSPI** has re-examined **276 “not elsewhere classified” items**, assigning **95% of their weights to specific categories** — significantly improving the index’s **information precision** and reducing data distortion.

Dynamic Factory Substitution Mechanism

- Under the new framework, factories that shut down or change production lines will be replaced using a systematic methodology, ensuring continuity through 12 months of overlapping data between outgoing and incoming firms.
- To improve forecasting and trend analysis, the new series will introduce a de-seasonalised IIP, aligning with global statistical standards and helping identify true cyclical patterns in industrial output.

Data Integration and Digital Modernisation

- The integration of GST data, along with digital adoption, is set to be a game-changer, enhancing timeliness and reliability.
- The reduced reporting lag and ongoing collaboration with TAC-IIP underline that this revision is more than a statistical update — it’s a structural modernisation of India’s industrial data system.

Source: IE

Source: <https://vajiramandravi.com/current-affairs/india-to-revise-iip-base-year-to-2022-23-for-accurate-industrial-data/>

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