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EDITORIAL ANALYSIS

Measuring Change: New IIP Broadens Scope, But Data Gaps Remain

BUSINESS STANDARD

29 May 2026 · ECONOMY · GS3

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Measuring Change: New IIP Broadens Scope, But Data Gaps Remain

 Business Standard

29 May 2026

GS3

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INTERVIEW ANGLE

"If the IIP base year revision adds renewables, electronics, rare earths and waste management while dropping kerosene and salt, has India's industrial statistics finally caught up with the 2020s economy — or are persistent data weaknesses (informal sector, no PPI, monthly reporting lags) about to undermine the revision's credibility?"

BUSINESS STANDARD

| Editorial | May 29, 2026

The REVISED INDEX OF INDUSTRIAL PRODUCTION (IIP)

series with **2022-23 base year** modernises the basket by adding **renewable energy, electronics, rare earth minerals and waste management** while dropping outdated items like **kerosene and salt** — a long-overdue update to reflect India's industrial transformation. However, **persistent weaknesses in data collection, informal sector coverage, digital reporting and the absence of a Producer Price Index (PPI)** will **limit credibility** unless **institutional reforms** are pursued in tandem.

THE ARGUMENT IN ONE LINE

A revised IIP basket is necessary but not sufficient — without parallel investment in real-time data infrastructure, informal sector coverage, and a long-overdue PPI, India will continue to measure a 2026 economy with 2012-era data quality.

WHAT'S CHANGED IN THE NEW IIP

COMPONENT	OLD BASE (2011-12)	NEW BASE (2022-23)
Base year	2011-12	2022-23
Items / item groups in basket	839 items / 407 item groups	1,042 items / 463 item groups (expanded)
New additions	—	Renewable energy generation, electronics (smartphones, EVs), rare earth minerals, waste management, biofuels, digital services-linked manufacturing
Items dropped	Kerosene, salt-related items, outdated manufacturing	—
Sectoral weights	Mining 14.4%, Manufacturing 77.6%, Electricity 8.0%	Updated to reflect 2022-23 sectoral contribution
Reporting frequency	Monthly	Monthly
Reference week	Variable	Standardised
Geographic granularity	Limited	Improved state-level signals

WHAT THE REVISION GETS RIGHT

1. Renewable Energy Inclusion

The previous IIP heavily weighted **thermal/fossil power**; the new series properly captures **solar, wind, biogas, hydro** generation — aligning industrial output statistics with the **500 GW non-fossil by 2030** (Glasgow CoP26 pledge) trajectory.

2. Electronics & Semiconductors

- Smartphones, components, PCBs.
- Semiconductor fab outputs (Tata Sanand, Tata-PSMC Dholera, Micron Sanand).
- EV powertrains, batteries.
- 5G/6G equipment.

The expansion aligns with the **₹76,000 crore India Semiconductor Mission (December 2021)** and PLI for electronics.

3. Rare Earth Minerals

Critical for renewable energy, defence, EVs, electronics. Captures India's emerging investments under the **Critical Minerals Mission** and **KABIL** (Khanij Bidesh India Ltd) acquisitions.

4. Waste Management

Reflects circular economy growth — scrap processing, recycling, e-waste management — captures a sector previously invisible to IIP.

5. Dropping Outdated Items

- **Kerosene** — phased out as PMUY (LPG) expanded.
- **Salt** — too granular for national index.

WHAT THE REVISION MISSES OR UNDERWEIGHTS

1. No Producer Price Index (PPI)

ISSUE	DETAIL
India still uses Wholesale Price Index (WPI) as the de facto producer price proxy	WPI base year revision lags IIP base year revision
PPI is the international standard	Better captures inflation at the producer stage
PPI would deflate IIP nominal values more accurately	Improves real GDP/IIP convergence
India's PPI	Saumitra Chaudhuri Working Group (2012) recommended PPI; experimental compilation since ~2017; not officially released as of May 2026

2. Informal Sector Coverage

- **Informal sector** = ~50%+ of industrial output but **<20% of IIP coverage**.
- Captured indirectly via **Annual Survey of Industries (ASI)** with 1-year lag.
- Real-time IIP misses **MSME, household manufacturing, gig-economy production**.
- **Solution:** Mobile-based MSME reporting; GSTN integration.

3. Digital Services-Linked Manufacturing

- **EMS (electronic manufacturing services)** linked to design in fabless companies.
- **Quick commerce dark stores** – manufacturing-adjacent but uncategorised.
- **3D printing / additive manufacturing** – fast-growing, poorly captured.

4. Geographic Granularity

- India's industrial geography is changing – **Gujarat dominance, Tamil Nadu electronics rise, Haryana auto.**
- IIP remains a **national index**; sub-national signals are imperfect.

5. Quality Adjustment

- **Hedonic adjustment** for tech goods (smartphones, EVs) – accounting for quality improvements at constant prices.
- India's IIP does not consistently use hedonic methods, unlike OECD norms.

THE INSTITUTIONAL BACKDROP

Statistics Architecture

INSTITUTION	ROLE
MoSPI (Ministry of Statistics & Programme Implementation)	Parent ministry
NSO (National Statistical Office)	Operational arm
CSO (Central Statistical Office)	Now merged into NSO
CMIE, Private analysts	Supplementary data
DPIIT	Industrial policy + ICI
Annual Survey of Industries (ASI)	Formal sector benchmark – significant lag
PLFS (Periodic Labour Force Survey)	Quarterly labour data

Recent Reforms

YEAR	REFORM
2015	National Sample Survey Office (NSSO) becomes NSO
2019	National Statistical Commission (NSC) restructured
2024	Household Consumption Expenditure Survey (HCES) 2022-23 results released
2024	Annual Survey of Industries (ASI) 2022-23 published
2026	New IIP base year 2022-23 (Hindu BS editorial subject)
2026	New GDP series with 2022-23 base year

THE PPI QUESTION — A STRONG SUB-ARGUMENT

The editorial's strongest specific recommendation is the **operationalisation of the Producer Price Index**. The **Saumitra Chaudhuri Working Group**, constituted in **March 2012**, recommended PPI; **experimental compilation has been underway since ~2017** following the group's recommendations — but it has not been **officially released** as of May 2026.

Why this matters:

- WPI captures wholesale traders' margins, not producers' realisations.
- CPI captures consumer prices including services.
- **PPI fills the gap** — first-stage manufacturing output prices.
- Most G20 economies use PPI as their primary industrial inflation gauge.
- For IIP real-value calculation, PPI-based deflators are more accurate than WPI-based.

Why PPI is Stalled

- **Methodological disputes** within MoSPI.
- **Data collection challenges** — manufacturers reluctant to share prices.
- **WPI inertia** — institutional path dependency.
- **Political sensitivity** — new inflation gauge could differ significantly from WPI/CPI.

WHAT THE EDITORIAL DEMANDS

DEMAND	SUBSTANCE
PPI release	Within 2026-27 — long overdue
Informal sector module	Real-time MSME reporting via GSTN
Digital reporting	Replace paper-based collection with portal-based submissions
Quality adjustment	Hedonic methods for tech goods
Sub-national IIP	State-level monthly indices
Data dictionary	Public, transparent classification
Independent statistical audit	CAG or third-party annual review

INTERNATIONAL COMPARISON

COUNTRY	INDUSTRIAL STATISTICS QUALITY
USA (Federal Reserve Industrial Production Index)	Monthly; revised; deep historical series
EU (Eurostat IIP)	Member-state harmonised; monthly
China (NBS Industrial Production Index)	Monthly; quality concerns about granularity
UK (Office for National Statistics)	Monthly; PPI parallel
Brazil (IBGE)	Monthly; PPI complementary
India (NSO)	Monthly; no PPI; informal sector gap

India is a top-5 economy but has measurement quality closer to mid-tier emerging markets — a strategic gap.

WHY THIS MATTERS

- **RBI monetary policy** depends on quality industrial statistics — for inflation, output gap, capacity utilisation.
- **Budget forecasting** — fiscal projections rest on industrial momentum estimates.
- **Investor confidence** — global rating agencies (S&P, Fitch, Moody's) scrutinise data quality.
- **Industrial policy design** — PLI, ISM, Make-in-India effectiveness measurement.

- **State-level competition** – better data enables better state policy.

WIDER SIGNIFICANCE

- **Statistical sovereignty** – economies of India’s scale need top-tier statistical infrastructure.
- **Trust in numbers** – robust IIP feeds robust GDP, CPI, exports/imports analysis.
- **Reform credibility** – base year revision is necessary but signals “first steps” not “completion”.
- **Methodology vs measurement** – both matter; both need investment.

WATCHPOINTS

- **Q1 FY27 IIP prints** with new base – first stress test of revised methodology.
- **PPI rollout** – has been delayed for 9 years.
- **Informal sector coverage** – GSTN integration trajectory.
- **State-level granularity** – request from RBI Monetary Policy Committee.
- **GSTN data integration** with statistical infrastructure.

WAY FORWARD

- **PPI operationalisation** – clear timeline, leadership.
- **MSME real-time reporting** – incentivised via GSTN.
- **Hedonic quality adjustment** – adopt OECD standards.
- **Sub-national IIP** – annual state-level publishing.
- **Independent Statistical Authority** – like UK’s UKSA.
- **NSC strengthening** – National Statistical Commission with greater autonomy.

UPSC RELEVANCE

GS Paper 3 – Indian Economy:

- Indian Economy and issues relating to planning, mobilization of resources, growth, development.
- Government Budgeting.
- Inclusive growth.

Analytical hooks for Mains:

- IIP and PPI architecture – fiscal-monetary policy implications.

- Informal sector measurement — economic and policy significance.
- Statistical sovereignty in emerging economies.

FACTS CORNER

IIP base year revision (May 2026): 2022-23 (from 2011-12).

New IIP basket (2022-23): 1,042 items / 463 item groups (vs old 839 items / 407 item groups).

Sectoral weights: Mining ~14%, Manufacturing ~78%, Electricity ~8%.

Combined weight of ICI in IIP: 40.27%.

Released by: NSO under MoSPI.

PPI status: Saumitra Chaudhuri Working Group (2012) recommended PPI; experimental compilation since ~2017; not officially released as of May 2026.

Annual Survey of Industries (ASI) 2022-23: published 2024.

Renewables installed (May 2026): ~220+ GW; target 500 GW non-fossil by 2030 (Glasgow CoP26 pledge).

India Semiconductor Mission: ₹76,000 crore, December 2021 Cabinet approval.

WPI: Wholesale Price Index, base year 2011-12 — still used as producer-side inflation proxy.

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Editorial source: Business Standard, May 29, 2026 | Cross-link: Daily May 29 — FY26 GDP estimates new base year 2022-23

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