Indian Economy · GS - III

Analyse the significance of the Index of Industrial Production as an indicator of India's economic performance. What factors can cause a slowdown in industrial output growth, and what measures can support sustained industrial expansion?

EXAM YEAR	PAPER	SUBJECT
DAILY PRACTICE 28/10/2026	GS - III	Indian Economy

MARKS	WORD LIMIT
10	~150 words

Answer Hint

IIP as a high-frequency indicator; manufacturing performance; consumer demand; investment and credit conditions; employment and supply chains; infrastructure and productivity reforms

Model Answer

Introduction

The Index of Industrial Production (IIP), compiled by the National Statistical Office, measures changes in industrial output across mining, manufacturing and electricity. It provides an important indicator of short-term economic activity.

Significance of industrial slowdown

A moderation in IIP growth may signal weaker demand, slowing investment or production constraints. Manufacturing weakness can affect employment, exports and industrial supply chains. Falling consumer durables output may indicate subdued household demand or reduced purchasing power. However, one month's data alone cannot establish a long-term economic trend.

Factors and policy measures

Industrial growth may be constrained by high borrowing costs, uncertain demand, input-price volatility, infrastructure bottlenecks and global economic uncertainty.

The government can support sustained expansion by improving logistics, ensuring reliable power, facilitating access to credit for micro, small and medium enterprises, and promoting technology adoption. Stable policies, skill development and competitive manufacturing ecosystems can encourage investment. Measures that strengthen household incomes and employment can also support durable-goods demand.

Conclusion

The IIP is a valuable indicator but should be assessed alongside GDP, employment, inflation and investment data. Balanced demand-side support and productivity-enhancing reforms are essential for resilient industrial growth.

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