



Index of Industrial Production

Department of Census and Statistics

Ministry of National Policies and Economic Affairs



Issue No. 01, JUNE 2016
ISSN 2513 - 2857

Introduction

The Index of Industrial Production (IIP) is an abstract number the magnitude of which represent the status of production in the industrial sector for a given period of time. The IIP describes changes of the volume of goods and services produced over time. Its main purpose is to provide a measure of the short-term changes in the volume of industrial production over a given reference period. The IIP provides information to gauge industrial performance of a country and to forecast the future economic performance. It can be used to identify the turning points in economic development at an early stage. The major advantage of the production index compared to other indicators is the combination of fast availability and detailed breakdown of activities. The scope of IIP is the manufacturing industries. The Department of Census and Statistics (DCS) hopes to extend the scope to the other industries in the future.

Objectives

Purpose of compiling IIP is to obtain quantitative understanding of production activity levels and its trend more rapidly and more adequately.

Key Features

Based year	Year 2015
Scope	Manufacturing sector (International Standard Industrial Classification - Rev. 4)
Data collection	Data collection was done from the establishment using a questionnaire along with this the administrative information on production volume from selected government and semi government institutions were also used to compile the index. The DCS staff involved in the data collection by mail, telephone and in person.
Calculation Method	Fixed weight arithmetic Mean Method
Frequency	Monthly, Quarterly and Annually

Uses of the IIP

The IIP is a key indicator of economic performance in most of the developed and developing countries. Index numbers summarize past developments, facilitate forecasting of future trends and assist with evidence based policy decisions. In addition, index numbers facilitate international comparisons.

The IIP also has, an important role in the compilation of the Quarterly National Accounts. In the analysis of economic changes, IIP has a crucial role because industrial production is one of the more dynamic and fluctuating element in the economy.

Highlights

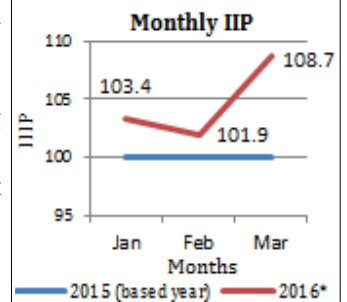


Figure1: Monthly Index of Industrial Production

Inside

<i>Introduction</i>	1
<i>Objectives</i>	1
<i>Key Features</i>	1
<i>Uses of the IIP</i>	1
<i>The role of weights in an index</i>	2
<i>Weighting Diagram</i>	2
<i>Composition of the Index of Industrial Production</i>	3
<i>Index of Industrial Production 1st quarter 2016</i>	3
<i>Monthly change of IIP</i>	3
<i>Index of industrial production by Industry Division</i>	4

The role of weights in an index

Weights are key elements in the construction of any index as they provide a measure of the relative importance of each index component. In the case of the IIP, weights reflect the relative importance of a product, product group or Industry within the overall scope of industrial production. To arrive at the aggregate index figure, relative of the data for products, product groups or industries are multiplied by these weights to derive a weighted average aggregated index.

Weighting Diagram

ISIC 2 digits	Description	weight-1 digit
10	Manufacture of food products	35.2
11	Manufacture of Beverages	3.8
12	Manufacture of tobacco products	1.7
13	Manufacture of Textiles	3.3
14	Manufacture of wearing Apparels	19.8
15	Manufacture of leather and related products	0.3
16	Manufacture of wood and products of wood and cork except furniture; manufacture of articles of Straw and plaiting materials	0.2
17	Manufacture of paper and paper products	1.7
18	Printing and reproduction of recorded media	1.4
19	Manufacture of coke and refined petroleum products	7.4
20	Manufacture of chemicals & chemical products	4.1
21	Manufacture of basic pharmaceutical products and pharmaceutical preparations	0.1
22	Manufacture of rubber & plastic products	5.7
23	Manufactory of other non metallic mineral products	7.8
24	Manufacture of basic metals	2.4
25	Manufacture of fabricated metal products	1.3
26	Manufacture of computers, electronics and optical products	0.5
27	Manufacture of electrical equipment	1.5
28	Manufacture of Machinery & equipment	0.7
29	Manufacture of motor vehicles, trailers and semi-trailers	0.1
30	Manufacture of other transport equipment	0.2
31	Manufacture of furniture	0.8
32	Other manufacturing	0.1
Total		100.0

Table 1 : Weighting Diagram- 2015

The manufacturing of food products reported to be the major contributor for the industrial value added (35.2%) of the country. Wearing apparels industry (19.8%) and non- metallic mineral products (7.8%) were in the second and third rank in sharing large contribution for the total value added of the industrial sector.

Historical background

The Index of Industrial Production (IIP) has traditionally been used to provide insight into short-term changes in economic activity. The compilation of such indices dates back to at least the 1920's.

The United Nations has a long history of collecting and publishing industrial statistics and related information. The index numbers of industrial production is one of the most well known of these statistics.

The collection of these index numbers started in the 1950's following the recommendations of the Statistical Commission at its 5th Session in 1950 which outlined the methods to be used in compiling index

Composition of the Index of Industrial Production

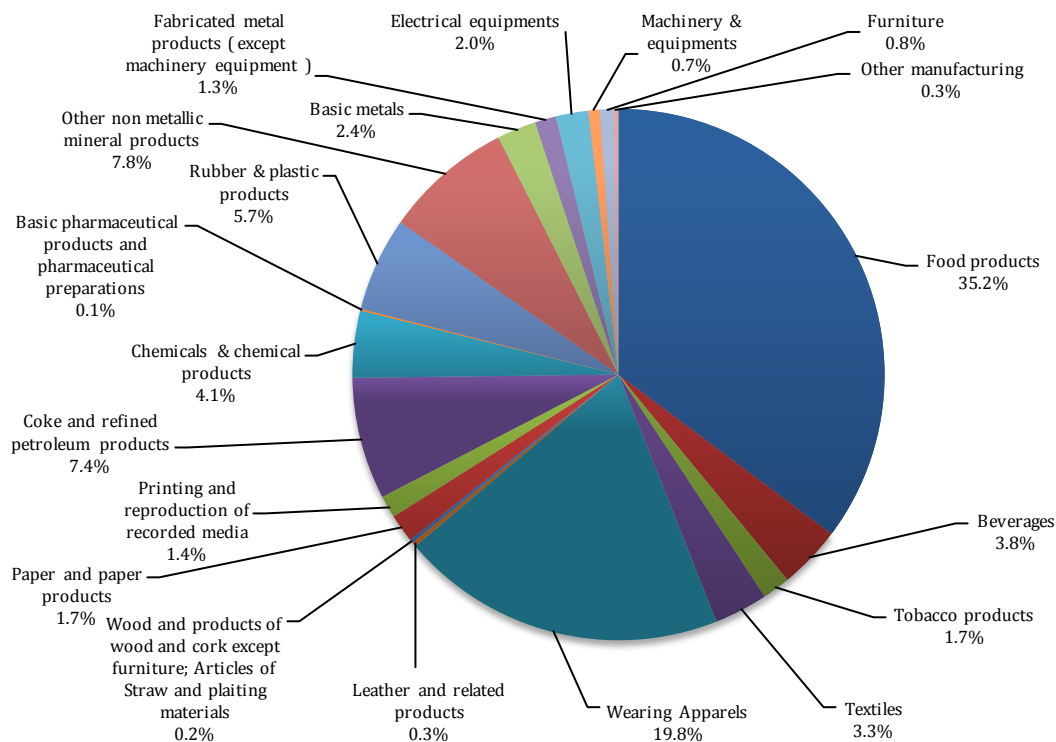


Figure 2 : Composition of the Index of Industrial Production

Index of Industrial Production 1 st quarter 2016

The volume of industrial production has increased by 3.4% in January 2016 with respect to the average monthly production in 2015. In the months of February and March it shows an increase of 1.9% and 8.7% respectively.

Month & Year	IIP* (2015=100)
January 2016	103.4
February 2016	101.9
March 2016	108.7
2016 (1st Quarter)	104.8

* Provisional

Table 2: IIP estimates (2015 =100) 1 st quarter 2016

The industrial production for the first quarter of 2016 has increased by 4.8% compared to the production in same quarter 2015.

Monthly changes of the IIP (2015=100)

Month & Year	2015	2016*	Changes (%)
January 2016	100	103.4	3.4
February 2016	100	101.9	1.9
March 2016	100	108.7	8.7

* Provisional

Table 3 : Monthly changes of the IIP (2015=100)

Highlights

Manufacturing of chemical and chemical products, paper and paper products, fabricated metal products has shown remarkable increase in their production during the first

Manufacture of non-metallic mineral products has decreased by 5.3% in the same quarter.

Production quantity of March 2016 is remarkable high comparatively other January and February since the necessity of fulfilling high demands of goods for the incoming Sinhala/Tamil New Year season.


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Vision of DCS

*" To be the
leader in the
region in
producing
timely
statistical
Information
to achieve the
country's
development
goals. "*

Index of industrial production by Industry Divisions

ISIC 2digit- its	Description	2015 January	2016 January*	Changes (%)	2015 February	2016 February*	Changes (%)	2015 March	2016 March*	Changes (%)	2015 1 st Quarter	2016 1 st Quarter*	Changes (%)
10	Food products	100.0	101.1	1.1	100.0	100.8	0.8	100.0	103.0	3.0	100.0	101.6	1.6
11	Beverages	100.0	91.3	-8.7	100.0	94.7	-5.3	100.0	114.7	14.7	100.0	100.2	0.2
12	Tobacco products	100.0	97.4	-2.6	100.0	101.6	1.6	100.0	112.2	12.2	100.0	103.7	3.7
13	Manufacture of Textiles	100.0	102.5	2.5	100.0	89.9	-10.1	100.0	114.4	14.4	100.0	102.3	2.3
14	Manufacture of wearing Apparels	100.0	105.8	5.8	100.0	107.1	7.1	100.0	107.6	7.6	100.0	106.8	6.8
15	Manufacture of leather and related products	100.0	100.3	0.3	100.0	100.7	0.7	100.0	102.9	2.9	100.0	101.3	1.3
16	Manufacture of wood and products of wood and cork except furniture; manufacture of articles of Straw and plaiting materials	100.0	93.8	-6.2	100.0	102.3	2.3	100.0	105.7	5.7	100.0	100.6	0.6
17	Manufacture of paper and paper products	100.0	107.5	7.5	100.0	120.1	20.1	100.0	134.8	34.8	100.0	120.8	20.8
18	Printing and reproduction of recorded media	100.0	100.3	0.3	100.0	95.5	-4.5	100.0	107.3	7.3	100.0	101.1	1.1
19	Manufacture of coke and refined petroleum products	100.0	122.9	22.9	100.0	104.6	4.6	100.0	112.3	12.3	100.0	113.3	13.3
20	Manufacture of chemicals & chemical products	100.0	124.9	24.9	100.0	115.5	15.5	100.0	128.3	28.3	100.0	122.9	22.9
21	Manufacture of basic pharmaceutical products and pharmaceutical preparations	100.0	96.0	-4.0	100.0	102.9	2.9	100.0	101.9	1.9	100.0	100.3	0.3
22	Manufacture of rubber & plastic products	100.0	92.7	-7.3	100.0	105.0	5.0	100.0	117.9	17.9	100.0	105.2	5.2
23	Manufacture of other non-metallic mineral products	100.0	95.4	-4.6	100.0	89.1	-10.9	100.0	99.6	-0.4	100.0	94.7	-5.3
24	Manufacture of basic metals	100.0	107.7	7.7	100.0	104.8	4.8	100.0	107.9	7.9	100.0	106.8	6.8
25	Manufacture of fabricated metal products	100.0	98.0	-2.0	100.0	94.2	-5.8	100.0	125.3	25.3	100.0	120.5	20.5
26-27	Manufacture of electrical equipment	100.0	90.9	-9.1	100.0	93.8	-6.2	100.0	119.0	19.0	100.0	101.3	1.3
28	Manufacture of Machinery & equipment	100.0	93.7	-6.3	100.0	101.1	1.1	100.0	111.3	11.3	100.0	102.0	2.0
31	Manufacture of furniture	100.0	117.7	17.7	100.0	104.2	4.2	100.0	112.8	12.8	100.0	111.6	11.6
29-30-32-	Other manufacturing	100.0	105.6	5.6	100.0	106.1	6.1	100.0	110.1	10.1	100.0	107.3	7.3
Overall Index for the Manufacturing Sector		100.0	103.4	3.4	100.0	101.9	1.9	100.0	108.7	8.7	100.0	104.8	4.8

Table 4 : IIP by Industry Divisions

* Provisional