

Qoncept

EXPLAINER

The Index of Services Production

How India Finally Learned to Measure Its Largest Sector

Every month, India publishes a number for how much steel, cement, and electricity the economy produced via IIP (Index of Industrial Production). Until this week, no equivalent number existed for banking, insurance, retail trade, logistics, or IT services - despite the fact that these industries now generate more of India's income than manufacturing does.

That gap has just been closed. On July 14, 2026, the Ministry of Statistics and Programme Implementation (MoSPI) released the country's first-ever trial Index of Services Production (ISP).

But before diving into the details of the ISP, it is worth understanding why this new indicator matters and what role it can play in assessing the trajectory of the Indian economy.

Services Now Drive the Global Economy

THE WORLD IS MOVING TOWARDS SERVICES

Services are now the largest and fastest-growing pillar of the global economy

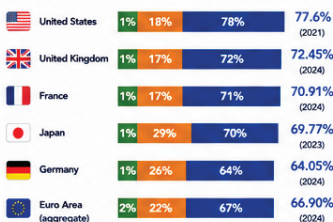


Services drive GDP in every major economy
 From ~47% in resource-rich Gulf economies
 to >90% in leading service hubs.

SERVICES SHARE OF GDP (%) World Bank – Latest Available Data

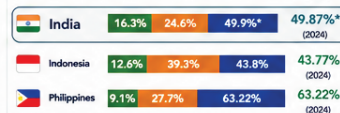
Agriculture Industry Services

1 MAJOR DEVELOPED ECONOMIES (DM)



Germany and Japan carry the highest industry shares among major DMs — a reminder that “developed” doesn’t automatically mean “services-only”; both remain genuine manufacturing powers even at ~65–70% services.

2 MAJOR EMERGING ECONOMIES (EM)



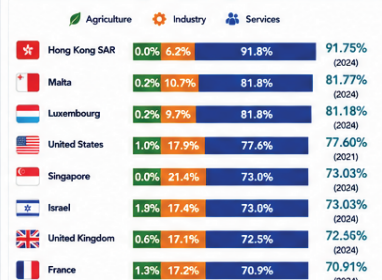
* India services share ~50% (per World Bank classification used here); alternate convention may show ~56–57%.

3 MIDDLE EAST ECONOMIES



The Gulf economies (Saudi, UAE, Qatar) skew heavily industrial because “Industry” in national accounts includes oil & gas extraction — so their relatively lower services share reflects hydrocarbon dependence, not services underdevelopment. Israel, with no comparable resource sector, looks much more like a DM on this metric.

4 ECONOMIES WITH THE HIGHEST SERVICES SHARE GLOBALLY (India-comparable or higher)



Hong Kong, Singapore, Luxembourg, and Malta top this list because they are small, trade/finance hubs with minimal domestic industry or agriculture by design. The more meaningful “similarly services-heavy” peers for India are the Philippines, Brazil, Mexico, and South Africa — where services already exceed 58–63% of GDP.

Disclaimer: The data is based on World Bank classifications and may not be directly comparable across countries due to differences in national accounting, coverage and revisions. India's services share may vary (~50% to ~57%) depending on classification convention.

This material is for informational purposes only and should not be considered as investment advice. Past trends are not indicative of future performance.

A clear pattern emerges across the world's major economies: services (*not manufacturing*) are now the largest contributor to economic output.

In advanced economies, the shift is pronounced. Services account for more than 75% of GDP in the United States, while the United Kingdom and France derive around three-quarters of their output from services. Even Germany and Japan, renowned for their manufacturing strength, generate roughly 70% of GDP from services, underscoring that industrial competitiveness and a services-led economy can coexist.

The same structural trend is evident across emerging markets, albeit at different stages. China, despite being the world's manufacturing hub, now derives more than half of its GDP from services. Brazil, Mexico, South Africa, and the Philippines already generate around 60–67% of output from services. India is further behind in this transition, with services contributing about 57% of GDP, industry 26%, and agriculture still a relatively high 17%, reflecting that its shift away from agriculture remains incomplete.

The conclusion is straightforward: regardless of income level, services have become the primary engine of economic activity across most major economies. As services account for the largest share of output and an increasing share of growth, measuring them with the same frequency and precision as manufacturing is no longer optional; it is essential.

India Could Already See Its Factories

India's own statistical system had, in fact, solved half of this problem decades ago — for industry, if not yet for services.

For decades, the IIP has served as India's primary high-frequency gauge of economic activity, tracking monthly output across manufacturing, mining, and electricity. Widely monitored by the RBI and the Finance Ministry, it provides an early and granular read on the economy between quarterly GDP releases.

There was just one problem: IIP which was built to track the industrial sectors only accounts for roughly a quarter of India's GVA (Gross Value Added). Services are now close to 57% and rising, and had no equivalent monthly gauge at all.

Every month, India could tell you precisely how much steel, cement, and electricity the economy produced. Until this week, it had no comparable number for banking, insurance, retail trade, logistics, or IT services — despite these industries collectively generating more than double the output of manufacturing.

Addressing this gap, the MoSPI released the country's first-ever trial Index of Services Production (ISP). It is a quieter development than a GVA print, but arguably a more overdue one.

A Blind Spot the Size of Half the Economy

Gross Value Added at Current Basic Prices by Economic Activity: Base Year 2022-23

₹ lakh crore (Nominal)

Economic Activity	2022-23	2023-24	2024-25	2025-26	2025-26
Total	100.00	100.00	100.00	100.00	100.00
 Agriculture, Livestock, Forestry and Fishing	20.03	19.48	19.57	17.39	17.29
 Industry	28.14	28.14	27.75	27.45	27.45
Mining and quarrying	2.13	2.06	1.98	1.97	1.97
Manufacturing	14.05	14.06	14.48	14.81	14.81
Electricity, gas, water supply and other utility services	2.98	2.93	2.97	2.93	2.93
Construction	8.98	9.09	8.49	8.45	8.45
 Services	51.83	52.38	52.68	55.16	55.26
Trade, Hotels, Transport, Communication & Services related to Broadcasting	13.74	14.12	13.35	13.47	13.47
Financial, Real Estate, & Professional Services & Ownership of Dwelling	15.35	15.36	16.13	17.03	17.03
Public Administration, Defence and other services	12.75	12.90	12.28	12.29	12.29
Other Services	9.98	10.00	10.92	12.37	12.47



The larger half of the economy was also the harder half to measure.

Note: Numbers may not add up to total due to rounding off.

Source: Ministry of Statistics and Programme Implementation (MoSPI)

Source: RBI, MoSPI

Services have contributed more than 50% of India's Gross Value Added every year since 2013-14. Yet between one quarterly GDP release and the next - a gap of nearly three months - there was no reliable monthly indicator of whether this dominant part of the economy was accelerating or slowing. Industrial output had the IIP, released monthly since decades. Services had nothing comparable.

For policymakers at the RBI and the Finance Ministry and market participants at large, this meant assessing the health of the economy's largest engine with a persistent lag, relying on indirect proxies rather than a direct, timely read.

What the ISP Actually Measures

The ISP is best understood as a counterpart to the IIP. Where the IIP tracks the monthly volume of goods **produced** by India's mines, factories, and power plants, the ISP tracks the monthly volume of services produced - adjusted for price changes, and benchmarked against a fixed base year (2024-25, in this case).

The underlying idea is simple. Building it, however, required solving a difficult measurement problem. One worth understanding in detail, because it explains why it took years to come up with it.

Why Services Resist Being Measured the Way Goods Are



A tonne of steel is a reasonably standard unit of output, regardless of which factory produces it. Counting tonnes, therefore, tells you something meaningful and comparable about how much an industry produced in a given month. That principle underpins the IIP.

Services do not lend themselves to this kind of counting.

Consider a bank disbursing loans in a given month: a ₹50,000 personal loan and a ₹5 crore corporate loan both register as "one loan disbursed," yet they represent vastly different amounts of real economic activity. The same is true across nearly every services category - a consulting assignment, a hospital admission, an insurance policy, a legal engagement. Simply counting how many transactions occurred tells you almost nothing about how much output was generated, because the underlying unit is never standardized.

This is why the ISP does not attempt to count physical units of service for most sub-sectors. Instead, it measures turnover — the revenue a service industry generates — and then applies a price deflator to strip out the effect of rising prices, isolating genuine growth in volume from growth that is simply the product of higher prices.

Two sub-sectors, Air Transport and Railways, are measured differently: they are tracked using passenger-kilometres, a standardized physical unit that happens to exist in transport services but rarely elsewhere.

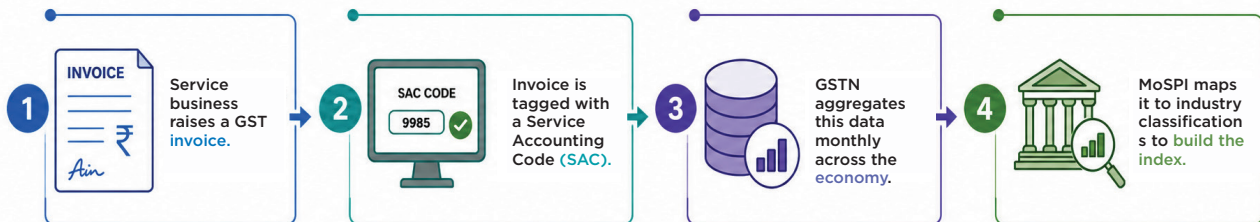
Two further constraints compounded this problem historically.

- Q** First, services are highly heterogeneous — a logistics firm, a hospital, and a telecom operator have little in common operationally, so a single measurement formula could not be applied uniformly; each sub-sector required its own approach.
- Q** Second, deflating turnover into real output requires a reliable price index, and for years India lacked sufficiently granular, sector-specific price data to do this with confidence across most services.

For decades, these constraints made a comprehensive services production index impractical. What changed was not statistical ambition, but the underlying data infrastructure.

The Data Source Nobody Designed for This Purpose

India did not build GST, introduced in 2017, as a services-measurement tool. It built GST to collect tax. The measurement capability turned out to be a byproduct.



Every GST-registered service provider tags what it sells using a Service Accounting Code, a standardized classification. Aggregated across millions of monthly invoices, this produces exactly the kind of high-frequency, granular, economy-wide revenue data that a services production index requires — data that simply did not exist in usable form before GST’s digital infrastructure matured.

That turnover data, deflated using CPI-based price indices as the closest available proxy for services inflation, forms the backbone of the ISP.

A separate annual survey, the ASISSE, supplies data for the two sectors GST does not directly capture: health and education.

In effect, India’s tax digitization programme solved a statistical problem that direct measurement effort had been unable to resolve for decades.

A Framework India Adapted, Not Invented



India is not the first economy to confront this measurement problem, and its statisticians did not start from a blank page. Several mature economies had already built comparable tools, and the OECD and the United Nations Statistics Division had already published formal technical guidance on how to construct one — the OECD's Compilation Manual for an Index of Services Production being a direct methodological reference point. India's Technical Advisory Committee on ISP, constituted in May 2025 to guide the project, drew explicitly on this existing body of international practice rather than designing the approach from first principles.

The United Kingdom offers the longest-running example. Its Index of Services has tracked the monthly output of UK service industries for decades, and it illustrates just how far a mature economy's centre of gravity can shift: UK services accounted for roughly 46% of GDP in 1948; today, the figure is close to 80%.

The European Union followed a more recent but structurally similar path, with Eurostat launching a regular Index of Services Production for the EU and euro area in 2017, built on service industry turnover deflated by Services Producer Price Indices, and covering service categories defined under the EU's standard industrial classification.

Where India's approach diverges — and arguably improves on the template — is in its primary data source. The UK and the EU largely built their indices on recurring business surveys: the UK's Monthly Business Survey, for instance, achieves response rates in the range of 70-78% of the sampled population, and Eurostat's member states rely on comparable national survey infrastructure.

Surveys of this kind are administratively costly to run and depend on voluntary business cooperation quarter after quarter. India's ISP instead draws its primary signal from GST returns that businesses are already required to file for tax purposes — administrative data rather than survey data, covering the near-universe of registered service providers rather than a sample.

In adapting an established international framework to a data source unique to its own digital tax infrastructure, India has, in effect, leapfrogged the survey-dependent model that older ISPs were originally built on.

Source: IMF

What the First Release Shows

The trial release covers 19 services sub-sectors, representing roughly 60% of the sector, for April 2026 against April 2025.

Who Powered India's First Services Index?

April 2026 year-on-year growth across ISP sub-sectors



India's services economy shows broad-based strength, led by consumer-facing and real economy sectors.



STEADY PERFORMERS

Consistent contributors to growth



DECLINING SUB-SECTORS
Areas facing contraction



TOP PERFORMERS

GROWTH IN APRIL 2026
OVER APRIL 2025 (YOY)

1



Accommodation & Food

37.2%

2



Retail Trade

30.8%

3



Real Estate

27.7%

4



Administrative & Support Services

18.2%



FASTEST GROWERS

Leading India's services momentum

5		Telecommunications	22.8%
6		Repair Services	19.2%
7		Road Transport	18.5%
8		Warehousing & Support Activities for Transportation	18.2%
9		Insurance	15.6%
10		Wholesale Trade	15.3%
11		IT & Computer Related Services	15.2%
12		Banking	12.2%
13		Information & Broadcasting	2.5%
14		Postal & Courier	3.3%
15		Water Transport	5.7%
16		Other Services*	4.0%
17		Mining & Quarrying	2.0%
18		Air Transport	-13.9%
19		Railway Transport	-0.4%

* Other Services includes Public Administration, Defence & Other Services | Source: MoSPI – Index of Services Production (ISP)

Fourteen of the nineteen sub-sectors recorded double-digit growth. Accommodation and food services led at 37.2%, followed by retail trade at 30.8%, administrative and support services at 28.7%, and real estate at 27.7%. Telecommunications, banking, and IT-related services all posted solid double-digit gains as well.

Two sub-sectors moved in the opposite direction: air transport contracted 13.9%, and railway transport declined marginally by 0.4%. This kind of sector-level divergence — visible within a single monthly release — is precisely what a blended, quarterly GVA figure may not portray in detail.

Why This Matters Beyond the Headline Number

For growth measurement, the ISP directly improves how real GVA is calculated. A more accurate services deflator means a more accurate separation of price effects from genuine volume growth in the sector that now drives the majority of the economy — which in turn improves the reliability of India's real GVA estimates.

For policy, the RBI and the Finance Ministry gain a monthly, sector-level signal rather than a quarterly, economy-wide one. A slowdown in retail trade or a pickup in logistics activity becomes visible with a much shorter lag, giving policymakers more time to respond before trends are confirmed after the fact.

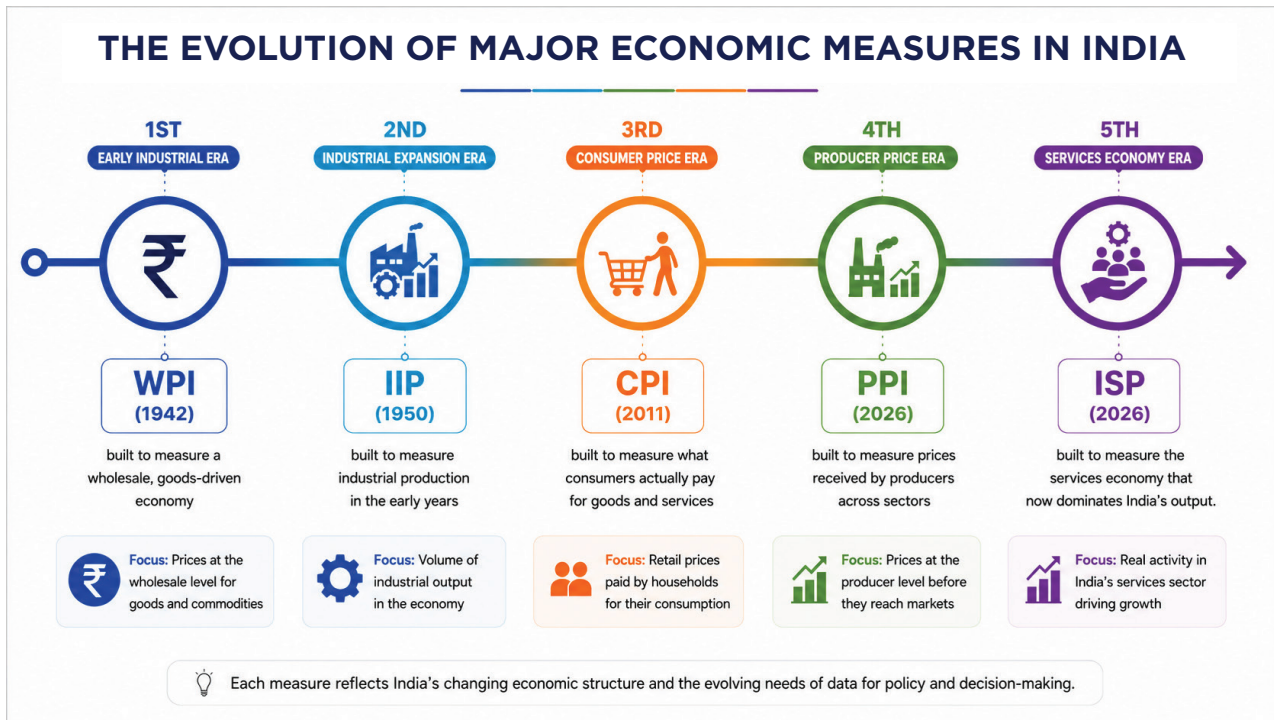
For markets, this is a new and independent data source. Analysts covering banking, retail, aviation, or IT services now have a government-published, high-frequency benchmark drawn from actual transaction data, rather than relying solely on company disclosures or private estimates.

An Important Caveat

The ISP is explicitly a trial index, and that qualification is significant. Current coverage is roughly 60% of the services sector, not the whole of it. The informal economy sits outside GST's net and is therefore excluded from the ISP as well. MoSPI has also noted that the Railways, Banking, and Insurance sub-indices are provisional and subject to annual revision as data quality improves. This is a methodological advance, not yet a finished, comprehensive measure.

The caveat reflects sound practice rather than a shortcoming. Trial releases exist so that a new statistical tool can be tested for stability and resilience before an economy comes to rely on it.

The Bigger Picture



India's statistical architecture was originally built to describe an industrial, goods-producing economy, because that is the economy India had for most of its independent history. Over the past two decades, without a corresponding upgrade in measurement, India became a services-led economy instead.

The Index of Services Production closes that gap. It will not generate the same attention as a GDP print, but from this point on, it will provide a monthly answer to a question India has not previously been able to answer in real time: whether the largest part of its economy is accelerating or slowing.

That is not a minor statistical footnote. It is a meaningful improvement in how clearly India can see itself.

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