



The Indian Economic Journal

JOURNAL OF THE INDIAN ECONOMIC ASSOCIATION

Volume - 1-B • Special Issue • December 2025

**MACROECONOMIC
STABILITY AND
GROWTH PROSPECTS**



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Structural Change in Indian Industry: Impact of External Shocks on Industrial Output during 2010–2024

Niladri De

Abstract

Analysing the impact of external shocks on industrial output during 2010-2024 is of utmost importance, as the consequences are not in favour of Indian economy. We have observed significant structural changes in Indian industry during 2010-2024. Various internal and external factors are responsible for the structural changes in Indian industry. In this context we have analysed the impact of external shocks on industrial output during 2010-2024.

In case of industrial output, most of the gain in share occurred during 2004-05 to 2007-08, when the sector was growing at an annual average rate exceeding 10 per cent. During 2008-09 to 2012-13, the share of industrial output remained roughly constant despite an increase in share of the registered segment, as unregistered manufacturing recorded an average annual growth of only 3.4 per cent. But, industrial growth in India has faced significant obstacles since 2016-17. Industrial output has declined notably since 2016-17 and further COVID-19 pandemic aggravated this slowdown.

This study tries to investigate the temporal dynamics, volatility clusters, and recovery patterns across India's industrial production, energy prices, and foreign exchange rates over the last fifteen years, emphasizing crisis shocks (notably COVID-19 pandemic) and their cross-sectoral ripple effects. We have used high-frequency panel datasets to analyse seasonality, volatility spikes, and post-crisis recoveries. The paper explores linkages between industrial performance, global commodity prices, and exchange rate movements. The study aims to identify periods and drivers of extreme volatility, assess the mechanisms of resilience, and propose policy insights for risk mitigation and industrial strategy under future shocks.

Keywords: Industrial Production, Structural Change, External Shocks, Economic Policy.

JEL Classification: L60, O14, F31.

1. Introduction

Industrial sector is an important sector in the context of growth and development in the global economy. Though the industrial sector has experienced high output growth in the country, it has faced different obstacles from the global economy. Historically the industrial sector of India experienced enormous challenges from the global economy which led to the emergence of its current position. The industrial sector in India has been more or less lagging in terms of growth contribution to the country's GDP compared with other major emerging economies like China. It has been observed that, over the years, growth in this sector has been overshadowed by the scorching pace of growth in the services sector, which has driven India's economic growth since the turn of the millennium (Sangwan, 2016).

In India industrial sector has played a very significant role in the developmental process of economies; it generates a modest level of employment and productivity earnings. But, contribution of this sector towards country's GDP is only a meager 16-17%, which is very low in comparison to the economies like China's (Singh, 2017). Apart from these Indian industrial sectors have also faced external shocks like crude oil price change, global financial crises, commodity price fluctuation etc.

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