GOVERNMENT OF INDIA
COMMERCE AND INDUSTRY
LOK SABHA

STARRED QUESTION NO:279
ANSWERED ON:19.12.2003
INDUSTRIAL GROWTH
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Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

(a) whether the industrial growth during the past few months has shown a declining trend as revealed in the data released by the Central Statistical Organisation (CSO);

(b) if so, the sectors which have been affected by low production during the last six months and the reasons therefor; and

(c) the steps taken by the Government to check the declining trend in the industrial growth?

Answer

THE MINISTER OF COMMERCE AND INDUSTRY (SHRI ARUN JAITLEY)

(a) to (c) : A statement is laid on the Table of the House.

Statement referred to in reply to the Lok Sabha Starred Question No. 279 for answer on 19th December 2003.

(a) & (b): There has been growth in overall industrial production as reflected in the Index of IndustrialProduction (IIP). As per the information available from the Central Statistical Organisation up to October, 2003,the overall growth in industrial production month wise since April 2003 was as indicated in the parenthesis: April 2003 (4.2 per cent), May 2003 (6.4 per cent), June 2003 (6.7 per cent), July 2003(6.6 per cent), August 2003 (5.5 per cent), September 2003 (7.1 per cent) and October 2003(5.4 per cent). The growth in industrial production in terms of broad sectors and use-based classification during the first six months (April-September) of the current year was as under.

Growth Rates in Industrial Output in terms of IIP+ in percent

Industry Group	Weight (In %)	April-September 2002	2003
sectoral			
Mining & Quarrying	10.5	6.5	4.2
Manufacturing	79.4	5.5	6.6
Electricity	10.2	3.4	3.0
Overall	100.0	5.4	5.9
Use Based Classification			
Basic goods	35.6	4.9	4.6
Capital goods	9.3	9.4	8.7
Intermediate goods	26.5	1.9	4.7
Consumer goods	28.7	8.2	8.3
Consumer durable	5.4	-6.3	5.7
Consumer non-durable	23.3	14.2	9.2

Note: + : IIP-Index of Industrial Production (Base : 1993-94 = 100)

(c): Over the years, government has taken a number of steps to ease supply side constraints through various economic reform measures to promote industrial production. These measures have been complemented by a number of initiatives on taxation and trade policy as well.

In the area of indirect taxes, the government has reduced both the multiplicity and levels of tax rates. Peak customs tariffs have been gradually reduced to 25 per cent with further cuts on a number of capital goods used by the textiles, plantations, power, telecom and information technology sectors. The reduction in customs tariffs has been accompanied by removal of quantitative restrictions. This will allow Indian industry greater access to their inputs at competitive prices. Excise duty regime has also been greatly simplified and rationalised with the introduction of central value added tax (CENVAT). This has lowered the incidence of excise on a large number of items. The Budget for 2003-04 has also reduced excise duty rates on a number of items in the textile sector. Export Promotion Capital Goods Scheme (EPCG) has been liberalized to impart greater flexibility in its operation.

Further the Budget for 2003-04 has provided a major thrust to infrastructure, principally roads, railways, airports and seaports. This is expected to have a favourable impact on demand for a wide variety of industrial products. Besides, the Government has introduced the Industrial Infrastructure Upgradation Scheme.It is a Central Sector Scheme with a provision of Rs. 675 crore in the Tenth Plan to be implemented by the Department of Industrial Policy and Promotion.Objective of the scheme is to enhance international competitiveness of the domestic industry by providing quality infrastructure through public-private partnership approach in selected functional clusters/locations. These measures have been complemented by the Reserve Bank of India`s stance of monetary policy with its preference for softening of interest rates and provision for adequate liquidity to meet credit growth and support investment demand.