

**GOVERNMENT OF INDIA
COMMERCE AND INDUSTRY
LOK SABHA**

UNSTARRED QUESTION NO:3314
ANSWERED ON:15.04.2008
SHORTFALL IN MANUFACTURING AND ENERGY SECTORS
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Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

- (a) whether according to the survey report of the Confederation of Indian Industry (CII), manufacturing sector has recorded negative or moderate growth during 2007-08;
- (b) if so, the details along with the reasons therefor, sector-wise;
- (c) whether due to slackness in the manufacturing and energy sectors the growth rate during 2007-08 had been down to 8.9 per cent against the projection of 9 per cent;
- (d) whether the Government has considered the survey report of CII; and
- (e) if so, the steps the Government proposes to take in this regard?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE & INDUSTRY(SHRI ASHWANI KUMAR)

(a) & (b): A study by the Confederation of Indian Industry has reported that out of 91 sectors surveyed, 37 sectors reported moderate and 17 sectors negative growth during April-September 2007, compared with the performance during April-September 2006. The reasons for the slow/negative growth during the current period is reported to be

- (i) high interest cost,
- (ii) appreciation of rupee and
- (iii) signing of FTAs with other countries.

(c): The Eleventh Five Year Plan (2007-12) envisages a growth of 10% for industrial sector for the entire plan period (in terms of Gross Domestic Product). No annual target has been set. As per the latest data, sector-wise growth rates of industry, in terms of Index of Industrial Production (IIP), are given below:

Growth Rate (in %)

PERIOD 2006-07 2007-08
 (Apr-Feb) (Apr-Feb)

Overall Industry 11.2 8.7

Mining 5.0 5.1

Manufacturing 12.2 9.1

Electricity 7.2 6.6

(d) & (e): The Industrial performance is monitored closely by the Government, based on IIP data and also study reports of independent organizations. In a market driven economy, the growth of various industries is influenced by market forces of supply and demand. The recent deceleration of the industrial growth is due to a combination of factors, including, rise in interest rates, rupee appreciation etc.

The Government has put in place various policies to promote broad based industrial growth. This includes, inter-alia, delicensing of industrial capacity, liberalization of foreign trade regime to provide better access to inputs at competitive prices, rationalization and reduction in duty rates of customs and central excise, better infrastructure support, and liberal FDI regime, etc.

Government has also announced several relief measures for export oriented industries, which includes enhancement of the Duty Entitlement Pass Book (DEPB), reduction in Export Credit Guarantee Corporation (ECGC) premium by 10%, enhancement of the rates of duty drawback, interest subvention of pre-shipment and post-shipment credit, refund of service tax, raising the revenue ceiling for Vishesh Krishi and Gram Udyog Yojana.

In addition, Government has also proposed reduction in excise duty across the board from 16% to 14% in the Budget 2008-09 to boost the domestic demand for the manufacturing industry.

A new Foreign Trade Policy has been announced with a view to encouraging industrial, manufacturing and service sector.