

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1707
ANSWERED ON:19.11.2010
SLOWDOWN IN INDUSTRIAL OUTPUT
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Will the Minister of FINANCE be pleased to state:

- (a) whether there has been a significant slowdown in the industrial output of the country in August, 2010 as compared to July, 2010 and even August, 2009;
- (b) whether this slowdown in industrial growth is a consequence of the tight monetary policy pursued by the Reserve Bank of India (RBI) over the past one year;
- (c) whether there has been a significant slowdown in the past 6-9 months in the demand for non-consumer durables or Fast Moving Consumer Goods(FMCG);
- (d) whether the Government plans to augment exports of manufactured goods, especially with the rupee hardening against the dollar and currency manipulation by our neighbours;
- (e) whether the growth in the capital goods industries turn negative in August, 2010 as compared to a 9.2 per cent growth in August, 2009;and
- (f) the implication of this slowdown on the economy as a whole?

Answer

MINISTER OF STATE FOR FINANCE(SHRI NAMO NARAIN MEENA)

(a)&(b): As per the latest revised Index of Industrial Production (IIP) released by the Central Statistical Organization(CSO) on 12th November 2010, the growth rate of industrial output in August 2010 has declined to 6.9 per cent as compared to 15 per cent in July 2010 and 10.5 per cent in August 2009. Though the liquidity conditions transited from surplus to deficit in the wake of 3G/BWA auctions in May 2010, yet the non-food bank credit during the first quarter of the current financial year has exceeded the indicated trajectory by the RBI in its Monetary Policy Statement 2010-11. Also during the second quarter of the current financial year the growth of non-food bank credit has remained close to the RBI's indicated projection. Industrial performance, besides monetary policy, is determined by several other factors such as exports, good monsoon etc.

(c): As per the latest IIP, the growth of consumer non-durables goods during April- September 2010-11 has been 2.0 per cent as compared to the -0.1 decline during the corresponding period of April-September 2009-10.

(d): The Government has been closely monitoring the export performance of various sectors on a continuous basis keeping in view the changes in the domestic and international fundamentals crucial for exports performance. Based on sectoral performance reviews for export sectors, support measures are undertaken from time to time, keeping in view the need based supports and the financial implications thereof. However, the Government is sensitive about the Rupee/dollar exchange rate and is constantly monitoring the situation. In order to boost exports, one of the support measures extended by the Government is by way of providing cheaper export credit in freely convertible currency at LIBOR + 2% instead of the earlier LIBOR + 3.5%.

(e): As per the latest revised IIP, the rate of growth of capital goods has been 2.1 per cent in August 2010 as compared to 7.7 per cent in August 2009.

(f): Even though the IIP growth rate has slowed down in the last two months, the cumulative growth of the IIP during April-September 2010-11 has been 10.2 percent as compared to 6.3 per cent registered during the corresponding period of 2009-10. Further the overall growth of the economy would depend on the contribution of services and agriculture sector during the financial year. So far all available projections for GDP growth generally project optimistic picture.