

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

UNSTARRED QUESTION NO:654

ANSWERED ON:13.08.2012

INDUSTRIAL PRODUCTION

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Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

- (a) whether the Index for Industrial Production has declined considerably during the current quarter as compared to the last year;
- (b) if so, the comparative details thereof, month-wise and sector-wise alongwith the reasons for such a low industrial production and their likely impact on Gross Domestic Product and economy;
- (c) the details of industrial growth during the last three years, sector-wise including the core sector;
- (d) whether the industrial sector has suffered heavy losses due to continuous devaluation of rupee/high inflation and recent slow down in European countries;
- (e) if so, the details thereof alongwith the sectors which are badly affected due to recent slowdown and corrective steps taken by the Government to boost the industrial development/growth in the country;
- (f) whether the International Monetary Fund has cut India's growth forecast during the year;
- (g) if so, the details thereof alongwith the reasons for reduction in growth forecast; and
- (h) whether the Government is considering to review the IIP data of any quarters and if so, the details thereof alongwith corrective measures taken by the Government to publish authentic data of the same?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF COMMERCE & INDUSTRY (SHRI JYOTIRADITYA M. SCINDIA)

- (a): The growth rate of Index of Industrial Production (IIP) has moderated from 7.0 percent in first quarter (April-June) of 2011-12 to -0.1 percent in April-June Quarter of the current year i.e. 2012-13.
- (b): The IIP growth, sector-wise and month-wise, for the quarter April- June for the years 2011-12 and 2012-13 is given in Table -1at Annexure-I. The Sectors that have adversely affected IIP growth are manufacturing and mining. Major reasons for the decline in manufacturing include global economic uncertainty, sluggish domestic demand, hardening of interest rates etc., whereas regulatory and environmental issues, court orders, decline in international demand for metallic minerals etc. are affecting production in the mining sector. As such the slowdown in these sectors is likely to have a moderating impact on the Gross Domestic Product (GDP).
- (c): Details of Industrial Growth during last three years, sector wise, and core sector-wise are given in the Table-2 and in the Table-3 respectively at Annexure-I.
- (d)&(e) While one to one correlation cannot be established between losses in Industrial sector and depreciation of rupee or inflation or recent slowdown in European countries, all these factors have a bearing on the industrial growth of the country. Depreciation of rupee is likely to increase cost of production of those industries which depend on imported raw materials, capital goods etc.; inflationary pressure is likely to increase manufacturing cost and also reduce domestic demand; and the slowdown in European countries can have an adverse impact on exports.

Government has already taken confidence building measures for improving the industrial climate and manufacturing in the country. Government had approved the National Manufacturing Policy (NMP) in October, 2011 with the objectives of enhancing the share of manufacturing in GDP to 25% by 2022 and creating additional 100 million jobs. One of the instruments in the NMP is the creation of National Investment and Manufacturing Zones (NIMZ) as planned integrated industrial townships. Nine NIMZs have been announced, eight of which are along the Delhi Mumbai Industrial Corridor (DMIC). Other measures include the promotion and facilitation of industrial investment including promotion of foreign direct investment through consolidation of press notes into a single document; development of industry relevant skills; regular meetings with industry associations and stakeholders to fast track implementation of industrial projects.

In order step up production of oil and gas, Government is encouraging participation of private sector, including foreign companies, for

exploration and production of petroleum and natural gas and related activities that are capital intensive and requiring use of expensive state-of-art technology.

In order to increase the production of Metallic Minerals (Iron ore, manganese, chromites), the Government has sought to create an attractive environment for investment by legislative reforms in the form of Mines & Minerals (Development and Regulation) Bill, 2011 introduced in Parliament in December, 2011, quarterly review of pending cases of Environment and Forest clearances etc.

(f)&(g): The World Economic Outlook Update , July 16th 2012 of the International Monetary Fund (IMF) has moderated India's growth rate for 2012 from 6.4 per cent (estimated in April, 2012) to 6.1 per cent (as estimated in July, 2012) on the ground of weaker external environment, deceleration of domestic demand, capacity constraints and policy tightening.

(h): Index of Industrial Production (IIP) for a particular month is released by Central Statistics Office (CSO) as Quick Estimate (QE) with six weeks' time lag. The QE then undergoes first revision after one month and final revision after three months of release of QE incorporating additional/revised production data received during the intervening period. There is no agenda to review the IIP data for the months/quarters which have already been finalized as per above time schedules.

In order to capture the dynamics in the structure and composition of the industrial production, base year of IIP is revised at regular intervals. Accordingly, a Working Group has been set up under the Chairmanship of Dr.Saumitra Chaudhuri, Member, Planning Commission, for reviewing the existing methodology used in compilation of IIP and shifting to a new base year, finalizing the new weighting diagram, selection of appropriate item basket and method of data collection for the same and giving its recommendations in this regard.