

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

UNSTARRED QUESTION NO:2647

ANSWERED ON:07.03.2003

INDUSTRIAL GROWTH

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

- (a) whether industrial production recorded a growth rate of 5.3 per cent during April-December, 2002 despite negative growth of 3 per cent during December, 2002 which is more than double the growth rate of 2.5 per cent registered during the same period of preceding year;
- (b) if so, the details thereof alongwith the growth rate for the last two years, year-wise;
- (c) the sectors which have registered positive growth and upto what extent;
- (d) the sectors which have registered negative growth alongwith the reasons therefore and upto what extent;
- (e) the steps being taken to increase the growth rate of these sectors; and
- (f) the overall industrial growth likely to be achieved at the end of 2002-03 and the target fixed so far?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE AND INDUSTRY(SHRI CH. VIDYA SAGAR RAO)

(a) and (b): The industrial production as measured in terms of Index of Industrial Production (IIP) (base year 1993-94=100) recorded a growth rate of 5.3 per cent during April-December 2002 as compared to 2.5 per cent registered during April-December 2001. The growth rate during December 2002 was 5 per cent as against 3 per cent recorded in December 2001. The details of the growth rate in industrial production during last two years are given below:

2000-01	2001-02	2002-03
Growth in Ipp	5.7%	2.5%
		5.3%

(c): The sectors that registered positive growth rates and the rate of their growth during April-December 2002 are given below:

Industrial Sector	Growth Rate(%)
Beverages, Tobacco and Related Products	23.8
Textile Products (including wearing apparels)	14.7
Transport equipment and parts	14.6
Food products	10.2
Metal Products and Parts (Except machinery and equipments)	8.5
Basic Metals & Alloy industries	7.3
Paper & Paper Products and Printing, publishing & allied industries	5.5
Jute and Other Vegetable Fibre Textile (except cotton)	5.2
Basic Chemicals & Chemical Products (except petroleum & coal products)	4.9
Rubber, Plastic, Petrol and Coal Products	4.1
Wool, silk and man-made fibre textiles	4.1
Non-metallic mineral products	3.8
Machinery and equipment other than transport equipment	1.5

(d): The sectors that registered negative growth rates during April-December, 2002 are given below along with their magnitude. Drought conditions in the previous year and infrastructure constraints especially power, and the slow pace of economic recovery in USA, European Union and Japan (for export demand) are main reasons for declining growth in these sectors.

Industrial Sector	Growth rate(%)
wood and wood products	-20.2
Leather and leather & Fur products	-8.1

Cotton textiles	-2.1
Other manufacturing	-2.1

(e): The Government has taken following measures to boost industrial growth:

Measures announced in Union Budget 2003-04:

- The Government has announced several measures for improving infrastructure. These measures are targeted at modernizing and developing rail, road, airport, port and power sectors.
- The budget has sought to bolster the manufacturing sector by providing excise and customs duty reductions. This would strengthen the recovery in the manufacturing sector.
- For the textile industry, the budget has made proposals on excise duty cuts to provide the industry an incentive to modernize while making garments cheaper for retail buyers.
- Customs duty on textile machinery and parts reduced from 25% to 5% to encourage modernisation.
- Tax holiday extended for R&D efforts.
- Proposals relating to personal income tax such as removal of surcharge, rebates on education expenses and no levy of additional taxes would mean rise in personal disposable income of consumers, which imply further increase in demand. Other measures:
- To improve operating environment of the industry and to boost its competitiveness, the Government has enacted several laws, which include the Competition Act and amendments to SEBI Act.
- The RBI has cut Cash Reserve Ratio (CRR) to 4.75 per cent from 5.0 percent, a move that will ease the liquidity position further.
- The draft Electricity Bill has been introduced in Parliament for facilitating comprehensive power sector reforms.

(f): The Tenth Five Year Plan has set an annual average target of 10% growth for industrial sector. According to the advance estimates on GDP by economic activity released by the Central Statistical Organisation, the manufacturing sector output is estimated to grow by 6.1% during 2002-03. Manufacturing sector has a weight of around 80 percent in the Index of Industrial Production.