

## INDUSTRIAL POLICY AND DEVELOPMENT

After a turnaround in 1999-2000, Industrial growth (measured by the Index of Industrial Production) has again slowed down during the year 2000-01 (April - December). Overall industrial growth during April-December 2000-01 (latest available) at 5.7 per cent is lower than 6.4 per cent during the corresponding period of last year. Whereas the index of industrial production increased substantially in December 2001, relative to the previous month, the rate of growth over December 2000 declined because a similar but even sharper increase had taken place in December 2000. The pattern of industrial growth path over a period of three to five years shows some recovery in one year followed by a slowdown in the next year (Table 7.1 and Figure 7.1). The industrial sector growth in the 1990s compared to 1980s is given in Box 7.1.

7.2 The factors responsible for the slowdown of industrial growth during the current year include lack of domestic demand for intermediate goods, low inventory demand for capital goods, high oil prices, existence of excess capacity in some sectors, business cycle, inherent adjustment lags in industrial restructuring and infrastructure constraints particularly power, roads and transport and a high interest rate environment due to continued high fiscal deficit.

7.3 According to the use-based classification mixed trends are observed during the year 2000-01 (April-December). While growth rates of consumer goods (both durables and non-durables) accelerated during the current year, there was deceleration in the growth rate of basic, capital and intermediate goods.

7.4 The downward trend in the growth rate of capital goods and intermediate goods indicates that investment decisions are not getting firmed up. Investment revival and capital goods production are critically dependent on expectations about the future growth of the economy, expected competition (domestic as well as imports), cost structure, technical changes and expected profitability of the investment. The high growth in the consumer goods sector is a latent asset and with some restructuring and favourable internal and external environment it has the potential of contributing to a higher growth momentum in all sectors of the industry.

**TABLE 7.1**

**Annual growth rates of industrial production in major sectors of industry  
(Based on the Index of Industrial Production)\*  
(Base: 1993-94 = 100)**

*(per cent)*

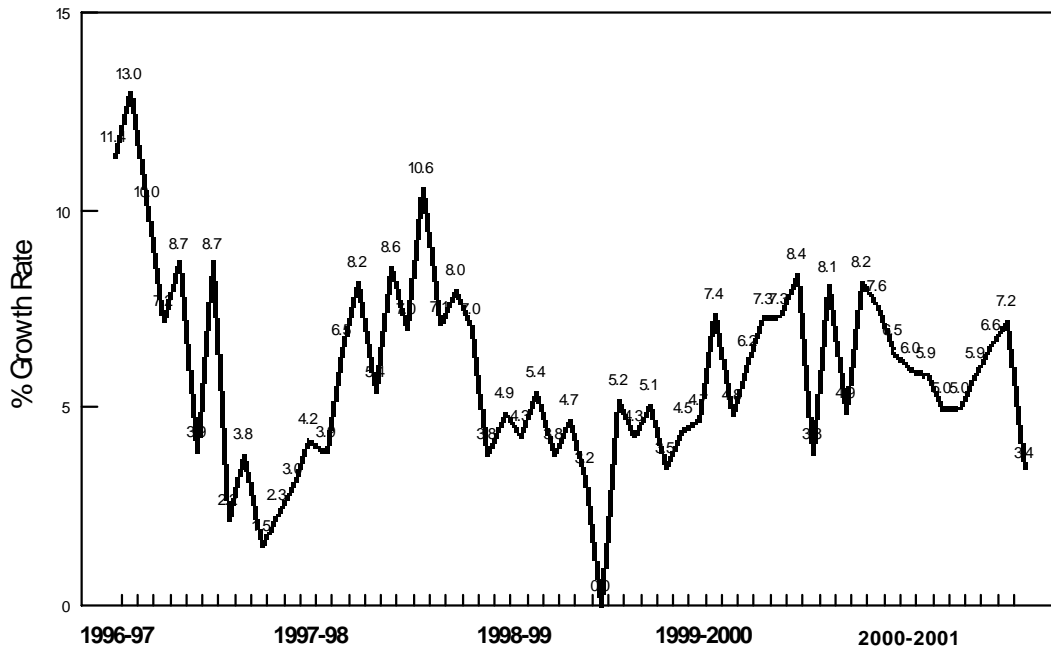
Period (Weight)	Mining (10.47)	Manufacturing (79.36)	Electricity (10.17)	General (100)
1994-95	9.8	9.1	8.5	9.1
1995-96	9.7	14.1	8.1	13.0
1996-97	-1.9	7.3	4.0	6.1
1997-98	6.9	6.7	6.6	6.7
1998-99	-0.8	4.4	6.5	4.1
1999-00	1.0	7.1	6.6	6.6
<b>Apr-Dec.</b>				
1996-97	-1.3	9.1	3.8	7.5
1997-98	6.4	6.9	6.0	6.8
1998-99	0.5	4.1	6.7	4.0
1999-00	0.5	7.0	7.7	6.4
2000-01	4.1	5.9	4.8	5.7

\*Revised Index of Industrial Production.

Fig. 7.1

**Monthly Growth Rates of Industrial Production**  
(1993-94 = 100)

GENERAL INDEX



MANUFACTURING SECTOR

