

Industrial Policy and Development

The industrial slowdown (measured by the Index of Industrial Production) witnessed in 2000-01 continued with greater intensity during the current year (2001-02) with a significant

deceleration in all major sectors. Overall industrial growth during April-December 2001-02 at 2.3 per cent, is substantially lower than the 5.8 per cent achieved during the corresponding period of last year. In fact the growth rate of the industrial sector during the first nine months of the current year is the lowest during the last ten years (Table 7.1).

TABLE 7.1				
Annual growth rates of industrial production in major sectors of industry				
(Base: 1993-94 = 100)				
(per cent)				
Period (Weight)	Mining (10.4)	Manufacturing (79.4)	Electricity (10.2)	General (100.0)
	(11.5)*	(77.1)*	(11.4)*	(100.0)*
1992-93	0.5	2.2	5.0	2.3
1993-94	3.5	6.1	7.4	6.0
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	7.3	6.7
2000-01	3.7	5.3	4.0	5.0
Apr-Dec.				
1992-93	0.2	4.9	4.7	4.3
1993-94	3.6	5.2	7.4	5.3
1994-95	5.3	5.0	6.3	5.2
1995-96	10.5	13.8	8.9	12.9
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	6.8	4.0
1999-00	0.5	7.0	7.7	6.4
2000-01	4.4	6.0	4.8	5.8
2001-02	1.1	2.4	2.7	2.3
Notes :				
Growth rates from 1994-95 onwards are based on IIP Base: 1993-94=100 and those for earlier years are based on IIP Base: 1980-81=100.				
*Relates to weights for IIP Base:1980-81=100				

7.2 The industrial deceleration was due to a number of structural and cyclical factors such as normal business and investment cycles, a lack of both domestic and external demand, continuing high real interest rates, infrastructure bottlenecks in power and transport, lack of reforms in land and labour markets, inherent adjustment lags resulting from industrial restructuring through merger and acquisitions, and delays in establishing appropriate institutional and regulatory frameworks in some key sectors.

7.3 The difficulties caused by internal constraints were exacerbated by the slow growth in the world economy, which contributed to a substantial slowdown in manufactured exports. While the government was in the process of seeking a consensus for further reforms, external factors such as the attack on the World Trade Centre in September 2001 and related events slowed down the recovery through lack of external demand and adverse impact on air transport, communications and tourism.