

(c) Production

1.42 A good monsoon helped to increase the level of food grains production from 174.2 million tonnes in 2002-03 to 210.8 million tonnes in 2003-04, contributed by increase in the production of both cereals and pulses. The prospects for agricultural production in 2004-05 are considered bright with a normal monsoon forecast by the Meteorological Department.

1.43 As per the index of industrial production (IIP), overall growth in the industrial sector improved from 5.7 per cent in 2002-03 to 6.9 per cent in 2003-04, supported by growth rates of 5.1 per cent in mining, 5.0 per cent in electricity and 7.2 per cent in manufacturing. As per use-based classification, industrial growth was broad-based except for consumer non-durables. Capital goods took the lead with a growth of 12.7 per cent followed by consumer durables, which recorded a growth rate of 11.6 per cent. Enhanced availability of retail loans and lower interest rates contributed to the latter's growth. Intermediate goods and basic goods also performed better in 2003-04 than in 2002-03, with growth rates of 6.2 per cent and 5.4 per cent, respectively, while the growth of consumer non-durables decelerated substantially from 12.0 per cent in 2002-03 to 5.7 per cent in 2003-04.

1.44 As per the two-digit industrial classification, three out of 17 industry groups grew by over 15 per cent in 2003-04. These industries include transport equipment and parts (17.0 per cent), paper and paper products (15.9 per cent) and machinery and equipment other than transport equipment (15.2 per cent). Beverages and tobacco, and basic metals and alloys, also performed well in 2003-04, growing at 9.4 per cent and 9.1 per cent, respectively.

1.45 Fabric production, which peaked in 2001-02 at 42 billion square metres, declined marginally to 41.9 billion square metres in 2002-03. In 2003-04, despite an initial sharp decline attributed to strikes by power-loom units and truck operators, rise in cotton prices and poorer demand for textiles, it picked up again, touching 42.2 billion square metres by

the close of the year. The share of the power-loom sector in the total production of fabrics increased to 82 per cent in 2003-04, compared to 80.6 per cent during the previous year.

1.46 Both production and exports of steel continued to rise, propelled by surging demand for steel in China and a strong domestic market. In 2003-04, total finished steel production rose by 7.5 per cent, reaching 36.2 million tonnes, while exports of finished steel grew by 17.6 per cent to 5.3 million tonnes.

1.47 During 2003-04, automobile production grew by 15.1 per cent, following up on strong growth of 18.6 per cent in the previous year. Commercial vehicles grew by 35.1 per cent, while passenger cars grew by 38.3 per cent. A major development in Indian manufacturing has been the success in exports of automobile components and finished vehicles. With export of vehicles growing by 56 per cent in 2003-04, India appeared to be on its way to establishing itself as a new player in the international market for small passenger vehicles.

1.48 Six core and infrastructure industries (viz. electricity, coal, steel, cement, crude oil and petroleum products) having a total weight of 26.7 per cent in the Index of Industrial Production (IIP) registered a marginally lower average growth rate of 5.4 per cent in 2003-04 compared to 5.6 per cent in 2002-03. Among the other infrastructure sectors, new cell phone connections (with a growth of 159.2 per cent), goods traffic on railways (7.5 per cent), cargo handled at major sea ports (9.9 per cent) and air ports (5.3 per cent), and air passenger traffic at both domestic and international airports (10.3 per cent) performed well in 2003-04 due to sustained industrial growth and significant pick-up of service activities.

1.49 Major initiatives taken in 2003-04 for infrastructure development include: notification of the Electricity Act in June 2003; signing of the tripartite agreement by 28 States for one time settlement of the dues of State Electricity Boards to Central Public Sector Undertakings; launching of 50,000 MW hydro electric power initiative in May, 2003; unified access service license regime for telecommunication

services; and the Bharat Jodo Project for development of 10,000 kms of roads connecting state capitals.

1.50 Many policies were announced in the Union Budget for 2003-04 to encourage industry. Major measures included: a special incentive package for textiles, garments and apparel, which have high exports and

employment potential; income tax concessions to the sunrise sectors of biotechnology, pharmaceuticals and information technology; withdrawal of expenditure tax for tourism; and withdrawal of small-scale reservation from 75 items of chemicals, leather, plastics and paper products.