

Outlook

7.55 The high growth in the industrial sector continued for the third year in succession. The major driver of this growth in the year 2004-05 was the manufacturing sector. The growth of the electricity sector was almost the same as that of the last year whereas the mining sector showed considerable deceleration. Somewhat subdued performance of the electricity and deceleration in mining sector moderated the manufacturing driven industrial growth. Capital goods maintained a steady increase in its rate of growth during 2004-05. The sector is poised to increase its rate of growth further during the current year.

7.56 With a perceptible improvement in the investment scenario, both domestic and foreign, coupled with the policy measures towards further liberalisation and simplification of the norms guiding such investment, the overall productive capability of the industrial sector, as a whole, is likely to increase

substantially. With a likely pick up in the production of crude oil, the mining sector is expected to improve its performance in the near future. Recent softening in the price of oil in the international market, if sustained, would have a positive impact on the industrial sector. The electricity sector, however, remains a cause of concern as private investment in this sector has remained almost stagnant. The hardening of the interest rates, could also be another dampening factor for sustained growth in investment.

7.57 While various sectors within manufacturing registered an impressive increase in the volume of production and exports, this was largely input driven and the growth in total factor productivity was hardly noticeable. Sustained efforts to remove bottlenecks hindering the productivity and efficiency of the manufacturing sector would boost the performance of the manufacturing sector substantially.