

## Outlook

55. Indian industry is presently passing through a difficult phase. Industrial growth, which decelerated to 7.1 per cent in 1996-97, has further declined in 1997-98. The manufacturing sector is performing poorly leading to further deterioration in industrial growth. Better performance of mining and electricity generation in 1997-98 have not been able to bring about turnaround.

56. Certain factors inhibiting industrial growth in 1996-97, were seen to persist in 1997-98, as well. Notable among these are the subdued condition in the primary and capital markets, slow export growth and a somewhat uncertain economic environment. In course of the year several policy measures were announced for reviving industrial investment. These included reduction of income and corporate tax rates, reduction in excise duties on intermediates and customs duties on raw materials, reduction in

bank rate and cash reserve ratio. While the real interest rates were fairly high in 1996-97, they have declined somewhat in 1997-98. Notwithstanding the decline, corporate investment has not picked up enough.

57. However, the quantum of assistance sanctioned by All India Financial Institutions (AIFIs) during 1997-98 contain encouraging trends. During 1997-98 there has been significant increase in the sanction of assistance by AIFIs. It is expected that the materialisation of these sanctions will lead to much greater flow of funds into industry in the coming period.

58. With manufacturing sector performing below expectations and excess capacity having been built in certain key segments of industry (cement, automobile etc.), overall industrial growth in 1997-98 is expected to be lower than the previous year.