

Outlook

62. The annual growth rate of industrial production, which averaged 7 per cent in the 8th Plan period, declined to 6.6 per cent in 1997-98, marginally higher than 5.6 per cent in 1996-97. In the current year, growth rate of industrial production has however, substantially decelerated to 3.5 per cent in April-December compared to the 6.7 per cent in the corresponding period of the previous year.

63. Several policy measures have been initiated to reverse the downtrend in industrial growth. In an attempt to create an investor-friendly climate, the Government has liberalised investment norms in various sectors, further simplified procedures, delicensed and dereserved some of the key in-

dustries and stepped up public investment in infrastructure industries. The higher growth of capital goods and rising capital goods imports suggest some strength in overall investment activity. The expected increase in agricultural production in the current year is also likely to have beneficial effects on demand for consumer goods. Measures like buy-back of shares are expected to provide a fillip to capital markets. Issuing of long pending counter-guarantees to a few fast-track power projects would also shore up demand for capital goods.

64. Given the prevailing trends, the year 1998-99 is expected to record relatively modest industrial growth. But the reforms undertaken and the optimism reflected in various Business Outlook Surveys, suggest better performance in 1999-2000.