

Industry

Overview

The impressive growth of the industrial sector, propelled by robust growth in manufacturing has continued unabated during the current year so far. Year-on-year industrial growth of 10.6 per cent in the first nine months of 2006-07 was the highest recorded since 1995-96. In seven of the eight months of the current year, the year-on-year growth of the manufacturing sector was in double-digits (Table 7.1).

7.2 In the current year until November, the year-on-year growth of the overall Index of Industrial Production (IIP), which measures the absolute level and percentage growth of industrial production (Box 7.1), as well as its three subsectors, viz. mining, electricity and manufacturing, in April-November 2006 was higher than that in comparable period of the previous year. Manufacturing sector contributed 91.1 per cent to this improved performance. There was a moderate turnaround in the growth rates of the mining

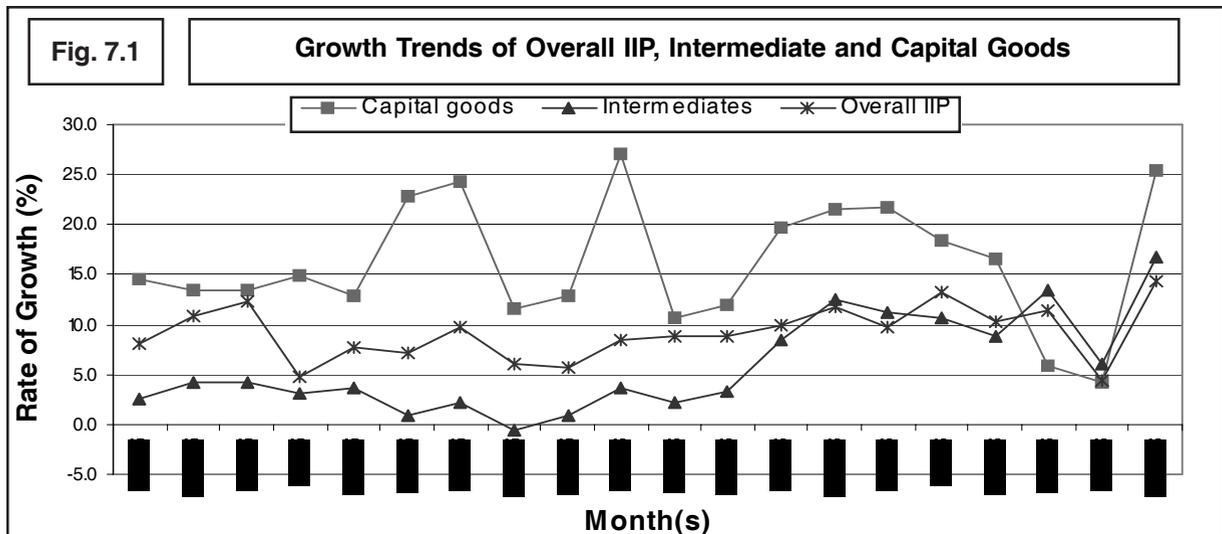
Table 7.1 : Annual growth rate of industrial production in major sectors of industry
(Based on the index of industrial production)
Base: 1993-94=100
(per cent)

Period	Mining & Quarrying	Manu- facturing	Electricity	Overall
Weights	10.47	79.36	10.17	100.00
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	2.8	5.3	4.0	5.0
2001-02	1.2	2.9	3.1	2.7
2002-03	5.8	6.0	3.2	5.7
2003-04	5.2	7.4	5.1	7.0
2004-05	4.4	9.2	5.2	8.4
2005-06	1.0	9.1	5.2	8.2
2006-07#	3.8	11.5	7.3	10.6

(April-November)

Source : Central Statistical Organisation.

and the electricity sectors compared to the previous year, but such growth continued to lag far behind the overall IIP growth.



Sector	Weight	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	Apr.-Nov.	
								2005-06	2006-07
Basic Goods	35.5	3.7	2.6	4.9	5.4	5.5	6.7	6.1	9.3
Capital Goods	9.3	1.8	-3.4	10.5	13.6	13.9	15.8	16.2	16.1
Intermediate Goods	26.5	4.7	1.5	3.9	6.4	6.1	2.5	2.5	10.9
Consumer Goods Of which	28.7	8.0	6.0	7.1	7.1	11.7	12.0	13.3	9.7
Durables	5.4	14.5	11.5	-6.3	11.6	14.4	15.3	14.2	12.5
Non-Durables	23.3	5.8	4.1	12.0	5.8	10.8	11.0	12.9	8.7
IIP (Index of Industrial Production)	100	5.0	2.7	5.7	7.0	8.4	8.2	8.3	10.6

Source : Central Statistical Organisation

7.3 Under the use-based classification of industries, growth signals were mixed (Table 7.2 and Figure 7.1). Year-on-year, during April-November, while growth accelerated in basic

and intermediate goods sectors between 2005 and 2006, there was a deceleration of growth in consumer goods industries. Encouragingly, however, except in the months of September

Code (NIC-1987)	Industry group	Weight	2004-05	2005-06	Apr	May	Jun	July	Aug	Sep	Oct	Nov	Apr.-Nov.	
													2005-06	2006-07
20-21	Food products	9.1	-0.4	2.0	-7.4	-6.1	-3.7	26.9	-0.8	11.3	-9.2	11.3	-4.7	1.9
22	Beverages, tobacco and related products	2.4	10.8	15.7	13.9	14.6	10.2	11.8	18.2	18.7	2.4	11.0	17.4	12.5
23	Cotton textiles	5.5	7.6	8.5	9.3	14.0	10.8	14.3	13.5	14.7	9.7	18.3	11.3	13.0
24	Wool, silk and man-made fibre textiles	2.3	3.5	0.0	12.7	12.4	-0.4	2.7	9.9	3.7	-4.0	18.2	-0.8	6.6
25	Jute and other vegetable fibre textiles (except cotton)	0.6	3.7	0.5	-6.6	2.5	3.6	-5.1	5.5	0.2	-0.9	9.7	2.6	1.0
26	Textile products (including wearing apparel)	2.5	19.2	16.3	12.6	18.0	13.1	28.1	14.8	4.2	-0.4	16.0	20.5	12.9
27	Wood and wood products; furniture and fixtures	2.7	-8.4	-5.7	-7.9	-19.6	-15.2	26.4	11.6	11.2	10.4	9.3	-3.5	2.4
28	Paper & paper products and printing, publishing & allied industries	2.7	10.5	-0.9	9.0	17.2	10.2	7.3	-2.1	8.8	3.9	15.6	5.2	8.4
29	Leather, and leather & fur products	1.1	6.7	-4.8	-24.4	-2.4	-3.7	-3.9	-0.3	5.6	-13.4	17.7	-0.1	-3.7
30	Basic chemicals & chemical products (except products of petroleum & coal)	14.0	14.5	8.3	14.5	14.5	4.1	9.6	9.9	11.0	0.9	8.4	11.7	9.1
31	Rubber, plastic, petroleum and coal products	5.7	2.4	4.3	4.3	12.1	10.8	9.2	13.0	15.7	7.7	23.2	2.8	11.9
32	Non-metallic mineral products	4.4	1.5	11.0	18.5	8.6	18.2	13.3	6.6	16.3	11.1	17.7	8.3	13.7
33	Basic metal and alloy industries	7.5	5.4	15.8	21.4	21.4	19.8	20.0	14.3	20.0	20.9	25.4	15.6	20.4
34	Metal products and parts, except machinery and equipment	2.8	5.7	-1.1	4.6	-9.7	7.8	6.7	10.1	11.5	25.1	-1.5	-2.2	6.8
35-36	Machinery and equipment other than transport equipment	9.6	19.8	12.0	8.8	13.9	18.2	15.8	23.3	14.2	2.1	17.3	10.8	14.1
37	Transport equipment and parts	4.0	4.1	12.7	13.8	25.9	21.2	22.8	11.2	12.4	4.4	21.8	12.5	16.3
38	Other manufacturing industries	2.6	18.5	25.2	33.8	37.8	18.9	15.9	7.9	-10.6	-18.5	23.0	18.9	10.4

Growth rates are estimated over the corresponding period of the previous year.
Source: Central Statistical Organisation.

Box 7.1: The historical development of the all india index of industrial production (IIP)

Index of Industrial Production (IIP) is a single representative figure to measure the general level of industrial activity in the economy. The Office of Economic Advisor, Ministry of Commerce and Industry made a maiden attempt of compilation and release of the IIP with base year 1937. With the inception of Central Statistical Organisation (CSO) in 1951, the responsibility for compilation and publication of the IIP was vested with CSO. The IIP covers mining, manufacturing and electricity sectors only. It excludes construction, also considered part of the secondary sector. IIP has been revised from time to time in 1946, 1951, 1956, 1960, 1970, 1980-81 and 1993-94 by shifting the base; by reviewing the coverage of items; and by improving the technique of construction to reflect the changes in industrial structure

IIP, with 1937 as the base, covered 15 industries accounting for more than 90 per cent of the total production of these industries. The weights were allocated on the basis of total value of output during the base year. Cotton textiles; jute manufacture; sugar and steel had 78 per cent of the IIP weight. Subsequently, the base year was shifted to 1946 but the scope continued to be restricted to mining and manufacturing sectors, comprising of 20 industries with 35 items. The 'value added by manufacture' in the base year obtained from the First Census of Manufactures, India 1946 was used for determining the weights. Cotton textiles, jute manufacturer, steel, sugar and coal accounted for 82.7 per cent of the total weight.

The IIP with 1951 as the base and compiled by CSO had 88 items. The items were classified according to the International Standard Industrial Classification (ISIC) 1948 of all economic activities. Weights were allotted to various items in proportion to 'value added by manufacture' in the base year 1951. This index had three sectors: mining, manufacturing and electricity with weights of 7.16 per cent, 90.68 per cent and 2.16 per cent respectively. The index was further revised to base year 1956 on the recommendation of the working group constituted by CSO. It covered 201 items (198 of these were in the manufacturing sector), classified according to the Standard Industrial and Occupational Classification of All Economic Activities. The weights were assigned to the various items on the basis of 'value added by manufacture', in the base year as per Census of Manufactures 1956. The weights of mining, manufacturing and electricity sector for this series of IIP were 7.47 per cent, 88.85 per cent and 3.68 per cent respectively. The index with the year 1960 as base year covered 312 items in the monthly index and an additional 124 items in an annual index. The index continued to be the weighted average of the components, with weights proportional to 'value added by the manufacture in the base year.

The index numbers with base 1970 covered 352 items comprising 61 items for mining; 290 for manufacturing and 1 for electricity sector. The weighting diagram for the manufacturing sector was based on the results of Annual Survey of Industries (ASI) 1970, whereas for the mining, the net value added by that sector as estimated by Indian Bureau of Mines, and in case of electricity, the net value added in 1970 as available from the White Paper on National Income, were used. For compiling the index, monthly production reports were collected by CSO from 17 source agencies, which in turn collected data from the production units.

The IIP with 1980-81 as the base for the first time included 18 items of the small-scale sector in the compilation of the index. Further, in respect of items like machinery, machine tools etc. where the reporting was in value terms, the Wholesale Price Index (base 1981-82) for the concerned category was used as deflators. The index has 350 items in all comprising 61 items from mining; 288 items from manufacturing and 1 from electricity.

The current series of IIP has 1993-94 as its base. The new series has 543 items clubbed into 287 item groups comprising 285 items groups from manufacturing and one each from mining and electricity. The index relating to Mining and Quarrying sector is supplied by the Indian Bureau of Mines, Nagpur and that is dovetailed with manufacturing and electricity indices compiled by CSO. The sectoral weights are allocated on the basis of Gross Value Added for 1993-94 as published in the National Account Statistics. As per the norms laid down by Special Data Dissemination Standards (SDDS) of IMF, the quick estimate of IIP of any month is being released within six weeks from the reference month according to an advance release calendar. This index is subsequently revised twice, namely, in the next month and the following third month.

and October 2006, year-on-year growth for capital goods has been in double digit and higher than overall IIP growth every month since February 2004. Furthermore, a sharp pick-up in growth was observed in intermediate goods in the current year.

7.4 At a two-digit level of disaggregation across the various segments of the manufacturing sector (Table 7.3), as many as nine sectors, with a combined weight of 44.2 per cent in IIP, grew at over 10 per cent, on an average, during the period April–November 2006. During the comparable period of the

previous year, there were eight such sectors accounting for a weight of 48.1 per cent. Leather and leather & fur products have exhibited a negative rate of growth during the current year so far (April-November).

7.5 Eleven sub-sectors registered an improvement in performance over the comparable period of the previous year, while

performance in the other six groups deteriorated. Sectors like food products, jute and other vegetable fibre textiles, wood and wood products, and leather and leather & fur products have either shown a decline or a moderate growth. Lacklustre growth in these industries, which are relatively more labour intensive, is reflected in the slow growth of employment in manufacturing.