

INDUSTRIAL SECTOR PERFORMANCE KEY TO ACHIEVING USD FIVE TRILLION ECONOMY

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Ministry of Commerce & Industry

Industrial Sector Performance Key to Achieving USD Five Trillion Economy

Economic Survey 2019-20 Suggests Sectoral Initiatives for Industrial Revival

Posted On: 31 JAN 2020 3:57PM by PIB Delhi

The Union Minister for Finance & Corporate Affairs, Smt. Nirmala Sitharaman tabled the Economic Survey 2019-20 in Parliament today. The Economic Survey gave a detailed analysis of the ways in which India will achieve the goal of becoming a USD five trillion economy.

Industrial sector performance in terms of its contribution in Gross Value Added (GVA) improved in 2018-19 over 2017-18. However, as per the estimates of Gross Domestic Product by National Statistical Office (NSO), the real GVA of industrial sector grew by 1.6 per cent in first half (H1) (April-September) of 2019-20, as compared to 8.2 per cent in H1 of 2018-19. The low growth in industrial sector is primarily due to manufacturing sector which registered a negative growth of 0.2 per cent in 2019-20 H1.

Index of Industrial Production (IIP)

Overall, IIP growth has moderated to 3.8 per cent in 2018-19 compared to 4.4 per cent in 2017-18. During the current year 2019-20 (April-November), it grew at 0.6 per cent as compared to 5 percent in the corresponding period of previous year. The moderation in growth is mainly arising from subdued manufacturing activities due to slower credit flow to Medium and Small industries, reduced lending by NBFCs owing to liquidity crunch, tapering of domestic demand for key sectors such as automotive sector, pharmaceuticals, and machinery and equipment, volatility in international crude oil prices, prevailing trade related uncertainties. Exports of key labour intensive sectors, such as gems and jewellery, basic metals, leather products and textile products under performed during the current financial year. The growth of capital goods and consumer durables declined by 11.6 per cent and 6.5 per cent respectively during the current financial year 2019-20 (April-November). Consumer durables segment was hit mainly due to lack of demand from the household sector especially in Automobile industry.

The growth of infrastructure/construction goods declined by 2.7 per cent in the current financial year 2019-20 (April-November). Intermediate goods and consumer non-durable registered positive growth in November 2019, however, primary goods, capital goods, infrastructure/construction goods and consumer durables reported negative growth in November 2019.

Gross Capital Formation in Industrial Sector

Gross Capital Formation (GCF) in industry has registered **a rise from (-) 0.7 per cent in 2016-17 to 7.6 per cent in 2017-18** showing upward momentum of investment in industry. Mining and quarrying, manufacturing, electricity, gas, water supply and other utility services and construction had registered a growth rate of 7.1 per cent, 8.0 per cent, 6.1 per cent and 8.4 per cent respectively in 2017-18.

Credit Flow to the Industrial Sector

Growth in gross bank credit flow to the industrial sector, on a year on year basis, rose to 2.7 per cent in September 2019 as compared to 2.3 per cent in September 2018. Credit flow industries like wood and wood products, all engineering, cement and cement products, construction and infrastructure increased in September 2019 as compared to September 2018. Credit flow to industries like food processing, chemicals and chemical products, vehicles, vehicles parts and transport equipment registered lower growth in September 2019 as compared to September 2018.

Corporate Sector Performance

The manufacturing sector contracted in Q1 of 2019-20 mainly due to a production slowdown. Petroleum products, iron and steel, motor vehicles and other transport equipment companies were the major contributors to the slowdown.

Net profit of corporate sector recovered in Q2 of 2019-20 and was 17.4 per cent. Sales growth of over 1,700 listed private manufacturing companies contracted by 7.7 per cent in Q2 of 2019-20 after remaining in expansionary zone since Q2 of 2016-17. The capacity utilization of India's manufacturing sector remains stable at 73.6 per cent in Q1 of 2019-20 as compared to 73.8 per cent in Q1 of 2018-19.

Performance of CPSEs

Of the 348 Central Public Sector Enterprises (CPSEs) on 31-03-2019, 249 are in operation, 86 CPSEs are yet to start commercial operations and 13 CPSEs are under closure/liquidation. Out of 249 operating CPSEs, 178 CPSE showed profit during 2018-19, 70 CPSEs incurred losses during the year and one CPSE has shown neither profit nor loss.

The total profit of the 178 profit making CPSEs was Rs.1.75 lakh crores in 2018-19. The total loss of the 70 loss making enterprises stood at Rs.31,635 crores during the year.

The contribution of the CPSEs to the Central Exchequer increased by 4.67 per cent to Rs.3.69 lakh crores in 2018-19 as against previous year of Rs.3.52 lakh crores.

Eight Core Industries

Growth of Eight Core industries (Coal, Crude Oil, Natural Gas, Refinery Products, Fertilizers, Steel, Cement and Electricity) stood flat during the current financial year (April-November, 2019). During the corresponding period of the previous year, these industries grew at 5.1 per cent. While fertilizers, steel and electricity have seen expansion in their production, production of coal, crude oil, natural gas and refinery products have contracted during the current financial year.

Sector wise issues and Initiatives

Steel

- ii. stood at second position in the production of crude steel. It is also the third largest consumer of the finished steel after China and USA. Till October 2019, crude steel production was 64.3 MT, showing a growth of 1.5 per cent over corresponding period of last year with utilization capacity of 77.4 per cent. Production of finished steel was 137.2 MT in 2018-19 and 59.73 MT during April to October 2019.

Coal

Overall production of raw coal in India during 2018-19 was 730.4 MT displaying a growth of 8.1 per cent.

Textile and Apparels

- lxi. contributed 18.0 per cent of manufacturing and 2.0 per cent of GDP in 2017-18. The share of textiles and clothing in India's total export was 12 per cent in 2018-19. It employs 4.5 crore people directly and 6 crore people in allied sector. Exports of textile and clothing products including handicraft from India have increased to USD 40.4 billion in 2018-19 from USD 39.2 billion in 2017-18.

In a fast moving world India has to develop its industry and enlarge the scope for Industry 4.0. that will encompass automation in industrial sectors. The Economic Survey 2019-20 shows the way that will clear the decks which are obstructing the way forward.

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(Release ID: 1601314) Visitor Counter : 162

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