

**Government of India
Ministry of Finance
Department of Economic Affairs
Economic Division
8(2)/Ec. Dn/2004**

**MONTHLY ECONOMIC REPORT
AUGUST, 2004**

HIGHLIGHTS

- The Pre-Monsoon season rainfall from June 1, 2004 to August 11, 2004 was normal/excess in 75 per cent meteorological sub-divisions.
- Foodgrain stocks were 29.92 million tonnes as on July 1, 2004
- Overall industrial growth was 7.6 per cent in April-June, 2004 as compared with 5.7 per cent in April-June, 2003.
- Core infrastructure sectors achieved an average growth rate of 6.0 per cent in April-July, 2004 as compared with 4.2 per cent in April-July, 2003.
- Broad Money (M3) growth (year-on-year) was 15.7 per cent as on August 6, 2004 as compared with 11.7 per cent last year.
- Exports grew by 25.6 per cent in dollar terms in April-July, 2004 as compared with 7.3 per cent in the corresponding period last year. Imports grew by 33.5 per cent during April-July, 2004 as compared with 23.3 per cent last year.
- Forex reserves (excluding Gold and SDRs) stood at \$ 112.97 billion as on July 31, 2004.
- Rupee depreciated against US Dollar, Pound Sterling, Japanese Yen and Euro in July, 2004.
- The annual inflation rate in terms of WPI (Base 1993-94=100) was 7.94 per cent for the week ended August 14, 2004 as compared with 4.07 per cent a year ago.
- Tax revenue (net to Centre) in April-June 2004 (provisional) was higher by 26.8 per cent over April-June 2003.
- Fiscal deficit in April-June 2004 (provisional) increased by 8.0 per cent over April-June 2003.

**(G.R.Reddy)
Adviser**

AGRICULTURE

MONSOON SEASON RAINFALL*

The monsoon season rainfall from June 1, 2004 to August 11, 2004 was normal/excess in 27 meteorological sub-divisions (75 per cent) and deficient/scanty in the remaining 9 (25 per cent). The annual average for 1999-2003 was normal/excess in 27 (75 per cent) meteorological sub-divisions and deficient/scanty in the remaining 9 (25 per cent).

Number of Meteorological Sub-divisions

	1999	2000	2001	2002	2003	1999-2003+	2004
Excess/Normal	31	26	29	17	31	27	27
Deficient/Scanty/Nil	5	10	7	19	5	9	9
Total	36	36	36	36	36	36	36

* (June-September)

+ Annual Average

PROCUREMENT

Wheat procurement up to August 17, 2004 in the current marketing year (i.e. 2004-05) was higher by 6.3 per cent at 16.80 million tonnes compared with 15.80 million tonnes in the corresponding period of 2003-04. Procurement of rice during the marketing year 2003-04 (up to August 17, 2004) at 22.58 million tonnes was higher by 39.8 per cent than the level of 16.15 million tonnes during the corresponding period of 2002-03.

	Full Marketing Year				Up to August 17		% change
	2000-01	2001-02	2002-03	2003-04	2003	2004	Col 7/Col.6
	Million Tonnes						
1	2	3	4	5	6	7	8
Rice(Oct-Sept.)	19.59	21.28	16.41		16.15	22.58	39.8
Wheat(Apr-Mar)	16.36	20.63	19.06	15.80	15.80	16.80	6.3
Total	35.95	41.91	35.47	15.80	31.95	39.38	23.3

OFF-TAKE

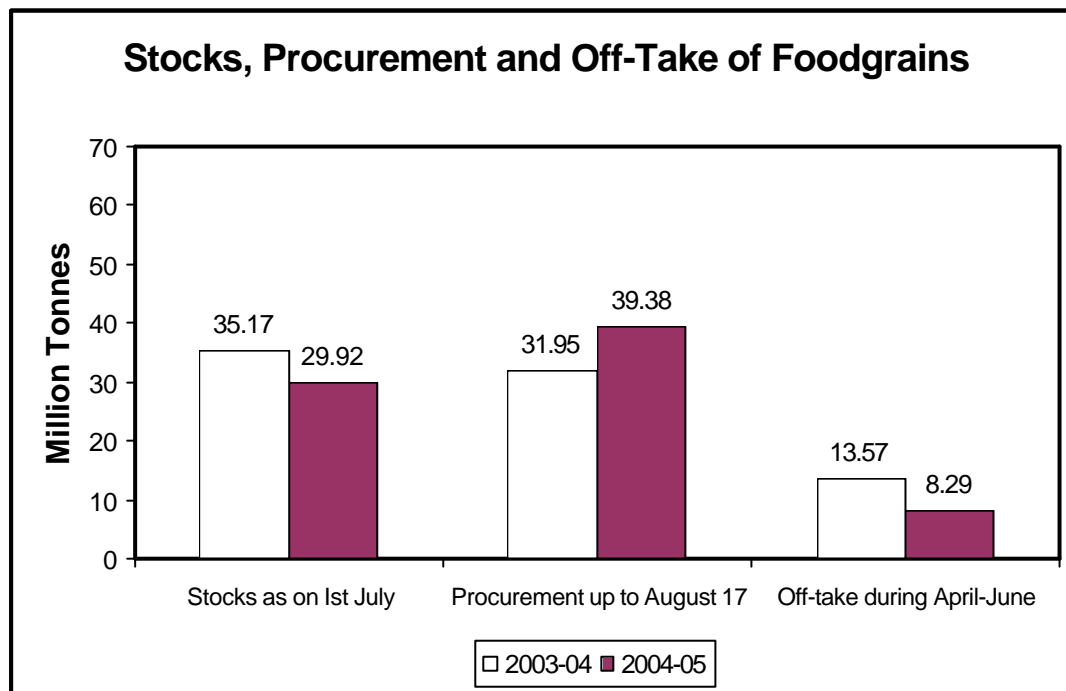
Off-take from the Public Distribution System from Central Pool during April-June, 2004 was 8.29 million tonnes which was lower by 38.88 per cent than the off-take of 13.57 million tonnes during the corresponding period of last year.

	2001-02(P)	2002-03(P)	2003-04(P)	April-June	
				2003-04(P)	2004-05(P)
1	2	3	4	5	6
	Million Tonnes				
Rice	15.32	24.64	23.79	6.93	4.69
Wheat	15.99	24.99	24.19	6.64	3.60
Total	31.30	49.63	47.98	13.57	8.29

STOCKS

Stocks of foodgrains as on July 1, 2004 was 29.92 million tonnes which was lower by 14.9 per cent than the level of 35.17 million tonnes as on July 1, 2003.

	As on Jun 1		As on Jul 1	
	2003	2004	2003	2004
Million Tonnes				
Rice	13.27	12.25	10.98	10.76
Wheat	26.54	19.39	24.19	19.16
Total	39.81	31.64	35.17	29.92

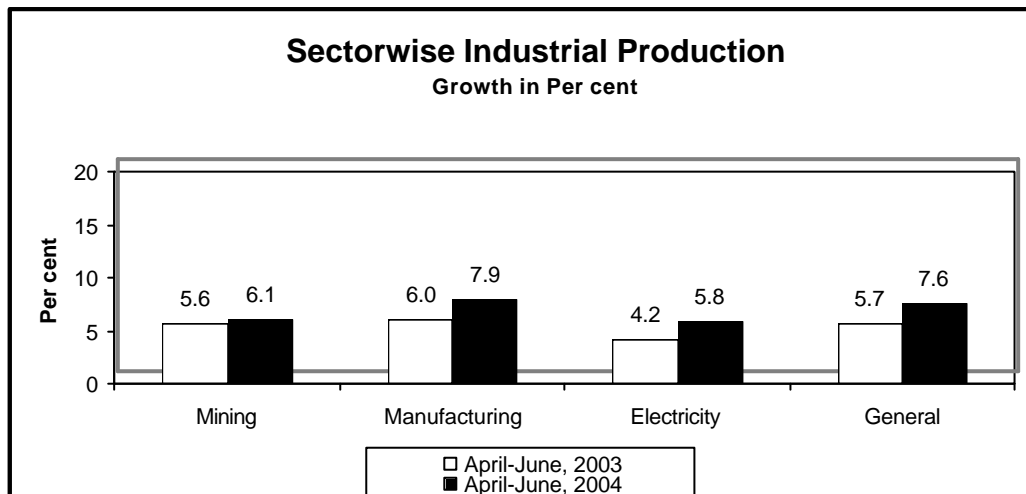


INDEX OF INDUSTRIAL PRODUCTION

The overall growth rate of Industrial production during April-June, 2004 was 7.6 percent as compared to 5.7 percent during April-June, 2003. The growth in mining, manufacturing and electricity during April-June, 2004 was 6.1 percent, 7.9 percent and 5.8 percent as compared to 5.6 percent, 6.0 percent and 4.2 percent respectively, during April-June, 2003.

As per the use-based classification, production in basic goods, capital goods and intermediate goods registered higher growth and consumer goods showed lower growth.

SECTORWISE INDEX OF INDUSTRIAL PRODUCTION						
(Base: 1993-94=100)						
(Percentage change)						
	2002-03	2003-04	June '03	June '04	April-June	
					2003-04	2004-05
General	5.7	6.9	6.7	7.3	5.7	7.6
Mining	5.8	5.2	5.7	3.3	5.6	6.1
Manufacturing	6.0	7.3	6.9	8.0	6.0	7.9
Electricity	3.2	5.1	5.4	4.2	4.2	5.8
Use-Based Classification						
Basic goods	4.9	5.4	5.5	2.9	4.4	4.6
Capital goods	10.5	13.1	10.9	17.5	8.4	14.9
Intermediate goods	3.9	6.3	6.7	7.5	2.8	10.4
Consumer goods	7.1	7.1	6.8	8.4	9.4	5.9
<i>Of which</i>						
Consumer durables	-6.3	11.5	0.3	14.1	4.0	11.0
Consumer non-durables	12.0	5.7	9.0	6.6	11.0	4.3



INFRASTRUCTURE

The six core infrastructure industries registered a higher growth of 6.0 per cent in the period of April-July, 2004 as compared to 4.2 per cent in the corresponding period of last year.

PRODUCTION IN INFRASTRUCTURE INDUSTRIES								
		July		FullYr.	April-July		% Change	
							April-July	
Industry/Infrastructure	Unit	2003	2004	2003-04	2003-04	2004-05	2003-04	2004-05
Coal	Mn tons	26.7	28.4	354.7	105.5	112.3	3.7	6.4
Electricity Generation	Mn kw	44253	50388	558134	179446	193694	2.8	7.9
Hydel	Mn kw	7201	8685	73796	23528	27837	-1.2	18.3
Thermal (including nuclear)	Mn kw	36952	41703	484338	155918	165857	3.4	6.4
Crude petroleum	000 tons	2858	2867	33384	10852	11349	-1.5	4.6
Petroleum Products	000 tons	9391	9735	113241	36070	39666	4.6	10.0
Finished steel	000 tons	3075	3178	36925.1	11859	12194	8.8	2.8
Cement	000 tons	9930	10725	123440	41320	42991	4.9	4.0
Average growth rate*	(%)	2.8	7.4	5.4	-	-	4.2	6.0
		June	June	Full Yr.	April-June		April-June	
Cargo handled at major ports	Mn tons	25.69	27.37	344.52	79.77	85.78	5.7	7.5
Telecommunications								
a) Net switching capacity	000 lines	62.08	33.13	1817.66	164.70	111.96	-74.7	-32.0
b) Net Tele. Connections	000 nos	1802.87	574.34	7804.86	1624.46	1428.09	287.4	-12.1
Revenue earning goods traffic on railways	Mn tons	44.33	46.97	557.39	133.17	141.26	7.9	6.1
* Weights as in IIP (Base: 1993-94) : Coal (3.2), Electricity generation (10.2), Crude oil (4.2), Refinery throughput (2.0), Finished Steel (5.1) and Cement (2.0).								

Revenue Earning goods traffic handled by Railways

The revenue earning goods traffic handled by Railways in the month of April-June, 2004 increased by 6.1 per cent as compared to 7.9 per cent in the corresponding period of last year.

Commodities	June		Full Year	April-June		Percentage Change	
	2003	2004	2003-04	2003-2004	2004-2005	June, 04	April-June, 04
Coal	19.71	21.52	251.66	60.48	64.34	9.2	6.4
Raw material for Steel Plants	3.48	3.17	43.94	10.58	9.72	-8.9	-8.1
Pig Iron & Finished Steel From Steel Plants	1.07	1.08	14.34	3.19	3.11	0.9	-2.5
Iron Ore for Exports	1.68	2.63	26.66	5.01	7.94	56.5	58.5
Cement	4.25	4.10	49.52	12.71	13.39	-3.5	5.4
Foodgrains	3.82	3.74	45.43	11.26	11.23	-2.1	-0.3
Fertilizers	2.21	2.30	25.83	5.65	6.25	4.1	10.6
POL	2.60	2.76	32.02	7.73	7.90	6.2	2.2
Balance other goods	5.51	5.67	67.99	16.56	17.38	2.9	5.0
Total	44.33	46.97	557.39	133.17	141.26	6.0	6.1

MONEY AND BANKING

During the current financial year 2004-05, broad money stock (M3) (up to August 6, 2004) increased by 4.7 per cent as compared with the growth rate of 5.5 per cent registered during the corresponding period of the last year. The year-on-year growth as on August 6, 2004 was 15.7 per cent as compared with 11.7 per cent on the corresponding date of last year.

Among the sources of broad money supply, net foreign exchange assets (NFA) of the banking sector have emerged as the major source of growth up to August 6, 2004, these assets have grown by 12.1 per cent as compared with 8.7 per cent in the same period of last year. The annual growth of NFA as on August 6, 2004 was 37.9 per cent, which is much higher than the growth rate of 24.6 per cent achieved on the corresponding date of last year.

Items	Outstanding as on (Rs. crore)		% Variations			
			Financial year so far		Year-on-year	
	March 31, 2004	Aug 6, 2004	2003-04	2004-05	2003	2004
M3(I+II+III+IV)	2003102	2097710	5.5	4.7	11.7	15.7
I. Currency with the public	315493	325132	5.6	3.1	12.7	13.3
II. Demand deposits with banks	256039	249719	-0.2	-2.5	15.1	25.8
III. Time deposits with banks	1426451	1518182	6.4	6.4	11.0	14.6
IV. Other deposits with RBI	5119	4677	10.9	-8.6	1.2	30.1
Sources (1+2+3+4+5)						
1. Net bank credit to Govt. (A+B)	745499	763395	6.6	2.4	11.1	5.9
A. RBI's net credit to Govt.	44907	6322	-29.0	-85.9	-44.4	-92.6
B. Other bank credit to Govt.	700591	757073	14.3	8.1	28.4	19.1
2. Bank credit to commercial sector	1017902	1075843	0.8	5.7	10.5	18.7
3. Net foreign exchange assets of banking sector	526586	590227	8.7	12.1	24.6	37.9
4. Government's currency liabilities to the public	7296	7312	1.5	0.2	7.6	1.9
5. Banking sector's net non-monetary liabilities other than time deposits	294181	339067	-3.4	15.3	27.3	35.9

Scheduled Commercial Banks: Business in India

During the current financial year (up to August 6, 2004) incremental gross bank credit increased by 6.1 per cent as compared with a growth of 0.1 per cent in the previous year. The year-on-year growth of gross bank credit as on August 6, 2004 was 22.3 per cent as against 11.7 per cent on the corresponding date of last year.

Non-Food credit during the financial year so far, registered a growth of 5.6 per cent as compared with an increase of 1.0 per cent during the same period of the last year. The annual growth rate was 23.8 per cent as compared with 15.4 per cent on the corresponding date of last year.

The year-on-year growth of time deposits with banks as on August 6, 2004 was higher at 15.1 per cent as compared with 11.2 per cent on the corresponding date of last year.

Items	Outstanding as on (Rs. crore)		% Variations			
			Financial year so far		Year-on-year	
	March 19, 2004	Aug 6, 2004	2003- 04	2004-05	2003	2004
1. Bank credit	840785	892228	0.1	6.1	11.7	22.3
Food credit	35961	42442	-12.6	18.0	-26.5	-1.9
Non-Food credit	804824	849786	1.0	5.6	15.4	23.8
2. Aggregate deposit	1504415	1582649	6.0	5.2	11.8	16.6
Demand deposit	225022	217623	0.8	-3.3	16.1	26.8
Time deposits	1279393	1365026	6.8	6.7	11.2	15.1
3. Investments in Govt. and other approved securities	677588	733064	13.0	8.2	26.0	18.5
Government securities	654758	706597	13.6	7.9	27.8	18.8
Other approved securities	22830	26467	0.4	15.9	-6.6	9.3

INTEREST RATES (PER CENT PER ANNUM)

As on August 6, 2004 Bank Rate was 6.00 per cent same as on the corresponding date of last year. Call money rates were higher in the range of 3.00/10.95 as compared with 3.00/6.25 per cent on the corresponding date of last year.

Item/week ended	2003	2004
	August 8	August 6
1	2	3
Bank Rate	6.00	6.00
IDBI ¹	12.50	10.25
Prime Lending Rate ²	10.50-11.50	10.25-11.00
Deposit Rate ³	5.00-6.00	5.00-5.50
Call Money Rate ⁴ (Low/High)		
Borrowings	3.00/6.25	3.00/10.95
Lending	3.00/6.25	1.83/10.95

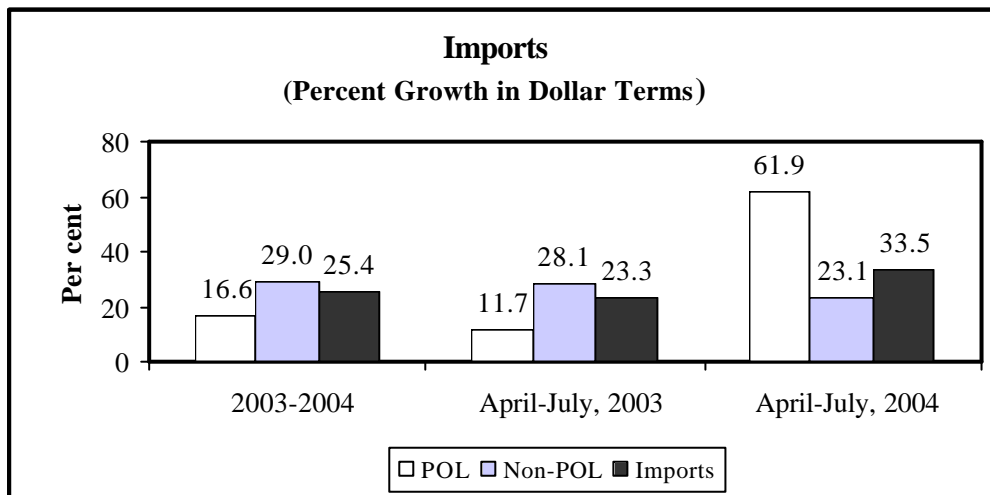
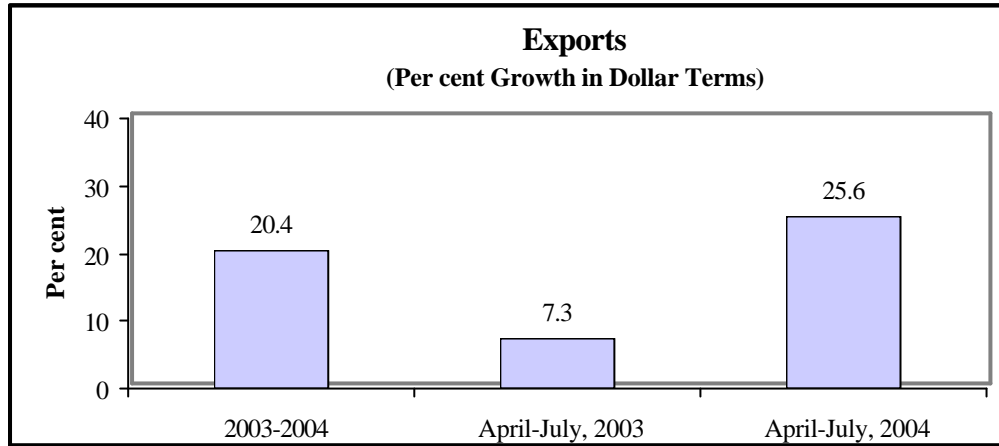
1. Minimum Term Lending Rate (MTLR)
2. Prime Lending Rate relates to five major Banks
3. Deposit Rate relates to major banks for term deposits of more than one year maturity.
4. Call money rates are based on data covering 90-95 per cent of total transactions reported by major participants.

FOREIGN TRADE

Exports in dollar terms during April-July, 2004 increased by 25.6 percent as compared to an increase of 7.3 percent during April-July, 2003. Imports increased by 33.5 percent during April-July, 2004 as against an increase of 23.3 percent last year.

Item			April-July		% Change	
	2002-03 (R)	2003-04(PR)	2003-04	2004-05	2003-04	2004-05
	Rs. Crore					
Exports	255137	291582	81808	99154	2.8	21.2
Imports	297206	353976	106908	137720	18.1	28.8
POL	85367	94520	28648	44731	7.0	56.1
Non-POL	211839	259456	78260	92989	22.7	18.8
Trade Balance	-42069	-62394	-25099	-38566	-	-
	Million Dollars					
Exports	52719	63454	17466	21931	7.3	25.6
Imports	61412	77032	22818	30457	23.3	33.5
POL	17640	20569	6115	9900	11.7	61.9
Non-POL	43773	56463	16703	20557	28.1	23.1
Trade Balance	-8693	-13578	-5352	-8526	-	-

(R) : Revised (PR) : Partially Revised



FOREIGN EXCHANGE RESERVES
(EXCLUDING GOLD & SDRs)

	Amount		Variation	
	Rs.Crore	\$ Million	Rs.Crore	\$ Million
At the end of			(over last year)	
March, 1996	58446	17044	-7560	-3765
March, 1997	80368	22367	21922	5323
March, 1998	102507	25975	22139	3608
March, 1999	125412	29522	22905	3547
March, 2000	152924	35058	27512	5536
March, 2001	184482	39554	31558	4496
March, 2002	249118	51049	64636	11495
March, 2003	341476	71890	92358	20841
March, 2004	466215	107448	124739	35558
2004-2005			(over last month)	
April	501429	113011	35214	5563
May	519847	114102	18418	1091
June	524865	114151	5018	49
July*	524732	112967	-133	-1184
August				
September				
October				
November				
December				
January				
February				
March				
* Provisional				

EXTERNAL AID RECEIPTS AND DEBT SERVICE PAYMENTS*

Gross external aid during April-June, 2004 at Rs 2124 crore was 12.4 percent lower than that of Rs 2426 crore in the same period of last year. Net Aid flows (net of repayment) were Rs. 462 crore as compared with Rs. (-) 1380 crore during the same period of last year. Net Aid Transfers (net of repayment and interest payment) were Rs. (-) 213 crore as compared with Rs. (-) 2272 crore during the same month of last year.

(Rs crore)

	Receipts		Repayment of Principal		Payment of Interest	
	2003-04	2004-05	2003-04	2004-05	2003-04	2004-05
Loans - Govt A/C	1864	1717	2621	1590	799	607
Grants - Govt A/C	208	127	-	-	-	-
Total	2072	1844	2621	1590	799	607
Non-Govt. loans	331	261	1185	71	94	69
Grants Non-Govt	23	19	-	-	-	-
Grand Total	2426	2124	3806	1661	893	676
	(516)	(473)	(809)	(370)	(190)	(150)
Net Flows (net of repayment)	-1380	462	-	-	-	-
Net Transfers (net of repayment and interest payments)	-2272	-213	-	-	-	-
* April -June						
Note: Figures in brackets are in terms of million US \$						

Rupees Per Unit of foreign Currency

The average market exchange rate of the Rupee during July, 2004 depreciated against US Dollar, Pound Sterling, Euro and Japanese Yen as compared with average market exchange rate of the Rupee during June, 2004.

	(Market Rate@)			
	US Dollar	Pound Sterling	Japanese Yen	Euro
March, 2001	46.62	67.39	0.3846	42.44
March, 2002	48.74	69.37	0.3723	42.75
March, 2003	47.64	75.44	0.4015	51.52
March, 2004	45.08	82.29	0.4141	55.25
2003-2004				
April	43.93	79.24	0.4081	52.66
May	45.25	80.88	0.4037	54.35
June	45.51	83.21	0.4159	55.25
July	46.04	84.86	0.4212	56.51
August				
September				
October				
November				
December				
January				
February				
March				
@ FEDAI Rates				

INFLATION

The annual rate of inflation based on Wholesale Price Index (WPI) stood at 7.94 per cent for week ended August 14, 2004 compared with 4.07 per cent a year ago. This rate was contributed by an increase of 8.02 per cent in Primary Articles, 11.62 per cent increase in Fuel, Power, Lights and Lubricants and 6.63 per cent increase in Manufactured Products as against an increase of 2.00 per cent, 5.01 per cent and 4.58 per cent respectively on the corresponding date of last year.

WHOLESALE PRICE INDEX

WHOLESALE PRICE (Base: 1993-94)					
Items/Groups	Weight(%)	Percent variation during			
		Month		Year (Point to Point) (ending 14-8-2004)	
		Last year	Current year	Last year	Current year
All Commodities	100.00	0.23	1.57	4.07	7.94
1.Primary articles	22.03	-1.05	3.72	2.00	8.02
2. fuel,Power,Light and Libricants	14.23	0.04	1.49	5.01	11.62
3. Manufactured Products	63.75	0.78	0.79	4.58	6.63

CONSUMER PRICE INDEX

All India Consumer Price Index for Industrial Workers (CPI-IW) for June, 2004 which stood at 512, increased by 0.8 per cent over previous month's level and increased by 3.0 percent over June, 2003.

CONSUMER PRICE INDEX AND INFLATION RATE (%)		
	2003-04 (Up to June, 2003)	2004-05 (Up to June, 2004)
Annual Inflation	4.4	3.0
Financial Year Inflation	2.1	1.6
% Change over last month	0.6	0.8
Level of Index	497	512
Average of Index for 12 months ending June	487.33	503.67

PUBLIC FINANCE

Trends in Central Government Finances: April-June 2004

	Budget Estimates	April-June		Col.3 as % of	Col. 4 as % of	% Change over preceding year	
	2004-05	2003-04	2004-05	2003-04 BE	2004-05 BE	2003-04	2004-05 (4/3)
(Rs. Crore)							
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1. Revenue Receipts	309322	25041	30631	9.9	9.9	-16.1	22.3
Gross tax revenue	317733	34143	41511	13.6	13.1	-6.7	21.6
Tax (net to Centre)	233906	19172	24306	10.4	10.4	-20.6	26.8
Non Tax	75416	5869	6325	8.4	8.4	2.7	7.8
2. Capital Receipts	168507	51681	58997	28.0	35.0	12.7	14.2
of which:							
Recovery of loans	27100	13051	17261	72.4	63.7	292.7	32.3
Other Receipts	4000	22	118	0.2	3.0	--	--
Borrowings and other liabilities	137407	38608	41681	25.1	30.3	-2.4	8.0
3. Total Receipts (1+2)	477829	76722	89628	17.5	18.8	1.3	16.8
4. Non-Plan Expenditure (a)+(b)	332239	57501	66656	18.1	20.1	-0.2	15.9
(a) Revenue Account	293650	52878	60982	18.3	20.8	0.6	15.3
<i>Of which:</i>							
Interest payments	129500	18963	24684	15.4	19.1	-20.6	30.2
Major Subsidies	42214	11736	11265	24.1	26.7	62.2	-4.0
Pensions	15928	2310	3229	14.9	20.3	15.2	39.8
(b) Capital Account	38589	4623	5674	16.3	14.7	-9.0	22.7
5. Plan Expenditure (i)+(ii)	145590	19221	23035	15.9	15.8	6.3	19.8
(i) Revenue Account	91843	12194	16043	15.9	17.5	2.9	31.6
(ii) Capital Account	53747	7027	6992	15.9	13.0	12.8	-0.5
6. Total Expenditure (4)+(5)=(a)+(b)	477829	76722	89691	17.5	18.8	1.3	16.9
(a) Revenue Expenditure	385493	65072	77025	17.8	20.0	1.0	18.4
(b) Capital Expenditure	92336	11650	12666	16.1	13.7	3.0	8.7
7. Revenue Deficit	76171	40031	46394	35.6	60.9	15.9	15.9
8. Fiscal Deficit	137407	38608	41681	25.1	30.3	-2.4	8.0
9. Primary Deficit	7907	19645	16997	64.6	215.0	25.4	-13.5

Source: CGA, Ministry of Finance, (Department of Expenditure).

Note: (i) The figures of Railways have been netted as in Budget.

(ii) Un-audited.

