

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

**MONTHLY ECONOMIC REPORT
FEBRUARY, 2005**

HIGHLIGHTS

- The winter season rainfall from January 1, 2005 to February 16, 2005 was normal/excess in 72 per cent meteorological sub-divisions.
- Foodgrain stocks were 21.69 million tonnes as on January 1, 2005
- Overall industrial growth was 8.4 per cent in April-December, 2004 as compared with 6.6 per cent in April-December, 2003.
- Core infrastructure sectors achieved an average growth rate of 5.1 per cent in April-January, 2005 as compared with 5.9 per cent in April-January, 2004.
- Broad Money (M3) growth (year-on-year) was 13.3 per cent (net of conversion, 13.1 per cent) as on February 4, 2005 as compared with 14.2 per cent last year.
- Exports grew by 25.6 per cent in dollar terms in April-January, 2005 as compared with 11.7 per cent in the corresponding period last year. Imports grew by 34.7 per cent during April-January, 2005 as compared with 24.7 per cent last year.
- Forex reserves (excluding Gold and SDRs) stood at \$123.65 billion as on January 31, 2005.
- Rupee appreciated against US Dollar, Pound Sterling, Euro and Japanese Yen in January, 2005.
- The annual inflation rate in terms of WPI (Base 1993-94=100) was 5.01 per cent for the week ended February 12, 2005 as compared with 6.08 per cent a year ago.
- Tax revenue (net to Centre) in April-December 2004 (provisional) was higher by 18.9 per cent over April-December 2003.
- Fiscal deficit in April-December 2004 is 65.5 per cent of BE compared with 60.2 per cent of BE in the corresponding period last year.
- Revenue deficit is higher at 82.7 per cent of BE compared with 65.0 per cent in the corresponding previous period.

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

AGRICULTURE

WINTER SEASON RAINFALL*

The winter season rainfall from January 1, 2005 to February 16, 2005 was normal/excess in 26 meteorological sub-divisions (72 per cent) and deficient/scanty in the remaining 10 (28 per cent). The annual average for 2000-2004 was normal/excess in 16 (43 per cent) meteorological sub-divisions and deficient/scanty in the remaining 20 (57 per cent).

Number of Meteorological Sub-divisions							
	2000	2001	2002	2003	2004	2000-2004+	2005
Excess/Normal	16	8	21	17	16	16	26
Deficient/Scanty/Nil	20	28	15	19	20	20	10
Total	36	36	36	36	36	36	36

* (January -February)

+ Annual Average

PROCUREMENT

Wheat procurement up to February 21, 2005 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 2004-05 (up to February 21, 2005) at 17.48 million tonnes was higher by 9.7 per cent than the level of 15.94 million tonnes during the corresponding period of 2003-04.

	Full Marketing Year				Up to Feb. 21		% change
	2000-01	2001-02	2002-03	2003-04	2004	2005	Col. 7/Col.6
	Million Tonnes						
1	2	3	4	5	6	7	8
Rice(Oct -Sept.)	19.59	21.28	16.41	22.83	15.94	17.48	9.7
Wheat(Apr-Mar)	16.36	20.63	19.06	15.80	15.80	16.80	6.3
Total	35.95	41.91	35.47	38.63	31.74	34.28	8.0

OFF-TAKE

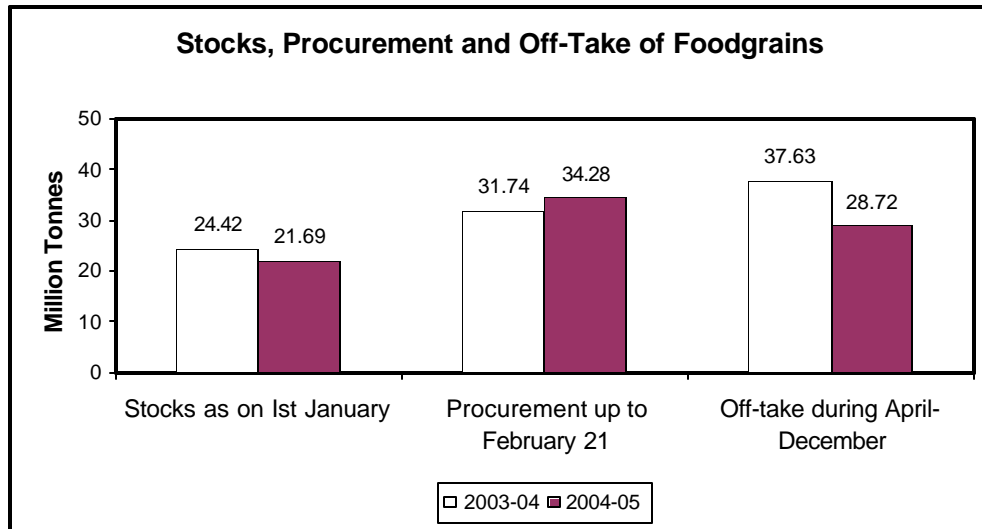
Off-take from the Public Distribution System from Central Pool during April-December, 2004 was 28.72 million tonnes which was lower by 23.7 per cent than the off-take of 37.63 million tonnes during the corresponding period of last year.

	2001-02(P)	2002-03(P)	2003-04(P)	April-December	
				2003-04(P)	2004-05(P)
1	2	3	4	5	6
	Million Tonnes				
Rice	15.32	24.64	25.04	18.89	15.97
Wheat	15.99	24.99	24.29	18.74	12.75
Total	31.30	49.63	49.33	37.63	28.72

STOCKS

Stocks of foodgrains as on January 1, 2005 was 21.69 million tonnes which was lower by 11.2 per cent than the level of 24.42 million tonnes as on January 1, 2004.

	As on December 1		As on January 1	
	2003	2004	2004	2005
	Million Tonnes			
Rice	10.87	11.14	11.73	12.76
Wheat	14.56	10.66	12.69	8.93
Total	25.43	21.80	24.42	21.69

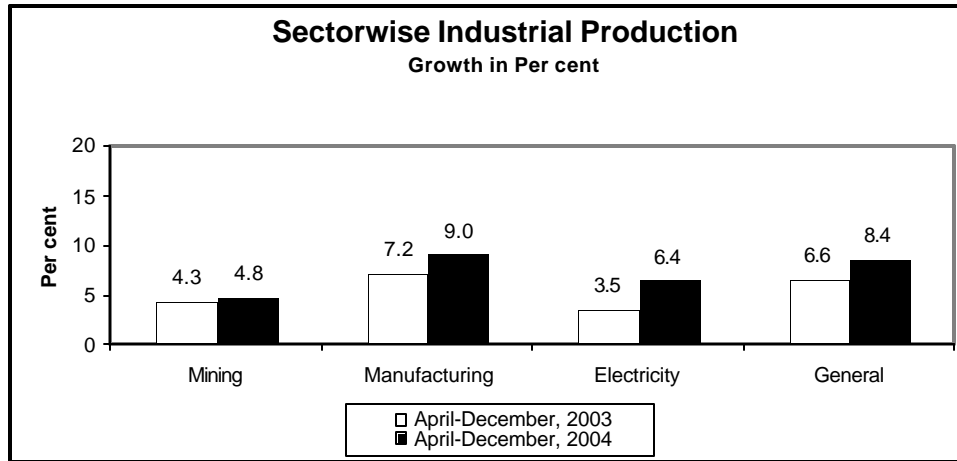


INDEX OF INDUSTRIAL PRODUCTION

The overall growth rate of industrial production during April-December 2004 was 8.4 percent as compared to 6.6 percent during April-December, 2003. The growth in mining, manufacturing and electricity during April-December, 2004 was 4.8 percent, 9.0 percent and 6.4 percent respectively as compared to 4.3 percent, 7.2 percent and 3.5 percent respectively, during April-December, 2003.

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

SECTORWISE INDEX OF INDUSTRIAL PRODUCTION						
(Base: 1993-94=100)						
	2002-03	2003-04	Dec. '03	Dec. '04	(Percentage change)	
					April-Dec.	
					2003-04	2004-05
General	5.8	7.0	7.4	7.9	6.6	8.4
Mining	5.8	5.3	5.6	2.9	4.3	4.8
Manufacturing	6.0	7.4	7.8	8.8	7.2	9.0
Electricity	3.2	5.0	5.4	4.4	3.5	6.4
Use-Based Classification						
Basic goods	4.8	5.5	5.5	6.1	4.6	5.9
Capital goods	10.5	13.6	13.1	14.4	10.1	13.3
Intermediate goods	3.9	6.4	10.5	3.1	6.5	6.7
Consumer goods	7.1	7.2	5.1	11.9	7.7	11.2
<i>Of which</i>						
Consumer durables	-6.3	11.6	12.3	13.0	9.2	15.3
Consumer non-durables	12.0	5.8	3.1	11.6	7.3	9.8



INFRASTRUCTURE

The six core infrastructure industries registered a lower growth of 5.1 per cent during April-January, 2005 as compared to 5.9 per cent in the corresponding period of last year.

PRODUCTION IN INFRASTRUCTURE INDUSTRIES								
		January		Full Yr.	April-Jan.		% Change	
							April-Jan.	
Industry/Infrastructure	Unit	2004	2005	2003-04	2003-04	2004-05	2003-04	2004-05
Coal	Mn tons	34.5	35.5	354.7	283.4	302.5	4.1	6.7
Electricity Generation	Mn kw	49347	50508	558134	460712	488459	3.7	6.0
Hydel	Mn kw	5281	5392	73796	62857	73097	12.5	16.3
Thermal (including nuclear)	Mn kw	44066	45117	484338	397855	415363	2.5	4.4
Crude petroleum	000 tons	2907	2914	33384	27760	28472	0.0	2.6
Petroleum Products	000 tons	10316	10294	113241	93117	98599	7.3	5.9
Finished steel	000 tons	3361	3354	36925.1	31693	32772	12.0	3.4
Cement	000 tons	10730	11760	123440	100830	108055	5.8	7.2
Average growth rate*	(%)	7.4	1.9	5.4	-	-	5.9	5.1
		Dec.		Full Yr.	April-Dec.		April-Dec.	
Cargo handled at major ports	Mn tons	30.2	33.1	344.52	248.5	276.0	7.5	11.1
Telecommunications								
a) Net switching capacity	000 lines	193.4	455.0	1817.66	3472.0	4574.9	35.0	31.8
b) Net Tele. Connections	000 nos	528.3	894.3	7804.86	6602.1	5104.2	243.8	-22.7
Revenue earning goods traffic on railways	Mn tons	48.9	53.7	557.39	407.2	438.4	7.0	7.7
* 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 during April-December, 2004 increased by 7.7 per cent as compared to 7.0 per cent in the corresponding period of last year.

(Million Tonnes)

Commodities	Dec.		Full Year	April-Dec.		%Change	
	2003	2004	2003-04	2003-2004	2004-2005	Dec, 04	April-Dec, 04
Coal	22.28	24.56	251.66	183.57	198.00	10.2	7.9
Raw material for Steel Plants	3.87	4.25	43.94	32.36	31.83	9.8	-1.6
Pig Iron & Finished Steel From Steel Plants	1.29	1.29	14.34	10.32	10.67	0.0	3.4
Iron Ore for Exports	2.39	2.92	26.66	18.86	26.73	22.2	41.7
Cement	4.19	4.59	49.52	35.61	39.45	9.5	10.8
Foodgrains	3.66	3.81	45.43	33.91	34.41	4.1	1.5
Fertilizers	2.32	2.65	25.83	19.89	21.52	14.2	8.2
POL	2.91	2.72	32.02	23.74	23.43	-6.5	-1.3
Balance other goods	5.97	6.90	67.99	48.89	52.32	15.6	7.0
Total	48.88	53.69	557.39	407.15	438.36	9.8	7.7

MONEY AND BANKING

During the current financial year 2004-05, broad money stock (M3) (up to February 4, 2005) increased by 10.2 per cent (exclusive of conversion of non-banking entity into banking entity, 10.1 per cent) as compared with the growth rate of 13.5 per cent registered during the corresponding period of the last year. The year-on-year growth as on February 4, 2005 was 13.3 per cent (exclusive of conversion, 13.1 per cent) as compared with 14.2 per cent on the corresponding date of last year.

Net foreign exchange assets (NFA) of banking sector (up to February 4, 2005) registered a growth of 12.4 per cent as compared with 30.4 per cent in the same period last year. The annual growth rate of NFA, as on February 4, 2005 was 15.3 per cent as against 29.3 per cent on the corresponding date of last year.

Items	Outstanding as on (Rs. crore)		% Variations			
			Financial year so far		Year-on-year	
	March 31, 2004	Feb. 4, 2005	2003-04	2004-05	2004	2005
M3(I+II+III+IV)	2003102	2208074	13.5	10.2	14.2	13.3
		(2204505)		(10.1)		(13.1)
I. Currency with the public	315493	347594	14.6	10.2	14.9	11.7
II. Demand deposits with banks	256039	270084	15.0	5.5	21.1	18.2
III. Time deposits with banks	1426451	1586041	13.0	11.2	13.0	12.8
		(1582472)		(10.9)		(12.5)
IV. Other deposits with RBI	5119	4355	10.5	-14.9	22.8	21.6
Sources (1+2+3+4 -5)						
1. Net bank credit to Govt. (A+B)	745499	751585 (739392)	8.3	0.8 (-0.8)	11.9	2.5 (0.9)
A. RBI's net credit to Govt.	44907	12560	-68.4	-72.0	-64.9	-67.0
B. Other bank credit to Govt.	700591	739025	25.0	5.5	27.1	6.4
2. Bank credit to commercial sector	1017902	1235190	9.4	21.3	13.4	25.6
		(1202508)		(18.1)		(22.2)
3. Net foreign exchange assets of banking sector	526586	592091	30.4	12.4	29.3	15.3
4. Government's currency liabilities to the public	7296	7374	3.0	1.1	4.1	1.3
5. Banking sector's net non-monetary liabilities other than time deposits	294181	378166	11.6	28.5	30.7	31.2

Note :- Figures within brackets are exclusive of conversion of non-banking entity into banking entity with effect from October 11, 2004.

Scheduled Commercial Banks (SCBs) : Business in India

During the current financial year (up to February 4, 2005) incremental gross bank credit increased by 25.0 per cent (exclusive of conversion, 21.1 per cent) as compared with a growth of 11.2 per cent in the same period of the previous year. The year-on-year growth of gross bank credit as on February 4, 2005 was 29.6 per cent (exclusive of conversion, 25.6 per cent) as against 14.8 per cent on the corresponding date of last year.

Non-Food credit during the financial year so far, registered a growth of 25.2 per cent (exclusive of conversion, 21.2 per cent) as compared with an increase of 13.9 per cent during the same period of the last year. The annual growth rate was 30.2 per cent

(exclusive of conversion, 25.9 per cent) as compared with 18.1 per cent on the corresponding date of last year.

The year-on-year growth of time deposits with SCBs as on February 4, 2005 was higher at 13.9 per cent (exclusive of conversion, 13.6 per cent) as compared with 13.5 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	Feb. 4, 2005	2003- 04	2004-05	2004	2005
1. Bank credit	840784	1050749	11.2	25.0	14.8	29.6
		(1018066)		(21.1)		(25.6)
Food credit	35961	42948	-26.3	19.4	-27.7	17.8
Non-Food credit	804823	1007801	13.9	25.2	18.1	30.2
		(975118)		(21.2)		(25.9)
2. Aggregate deposit	1504416	1673341	14.0	11.2	14.7	14.6
		(1669773)		(11.0)		(14.4)
Demand deposit	225022	238732	17.7	6.1	22.8	19.1
Time deposits	1279394	1434609	13.4	12.1	13.5	13.9
		(1431041)		(11.9)		(13.6)
3. Investments in Govt. and other approved securities	677587	712027	23.2	5.1	24.6	5.6
		(699834)		(3.3)		(3.8)
Government securities	654757	686453	24.4	4.8	26.0	5.4
		(674260)		(3.0)		(3.5)
Other approved securities	22830	25574	-3.7	12.0	-3.6	10.0

Note :- Figures within brackets are exclusive of conversion of non-banking entity into banking entity with effect from October 11, 2004.

INTEREST RATES (PER CENT PER ANNUM)

As on February 4, 2005 Bank Rate was 6.00 per cent same as on the corresponding date of last year. Call money rates (borrowing) were in the range of 3.00/5.30 as compared with 2.00/4.60 per cent on the corresponding date of last year.

Item/week ended	2004	2005
	Feb. 6	Feb. 4
1	2	3
Bank Rate	6.00	6.00
IDBI ¹	10.25	10.25
Prime Lending Rate ²	10.25-11.00	10.25-10.75
Deposit Rate ³	5.00-5.50	5.25-6.25
Call Money Rate ⁴ (Low/High)		
Borrowings	2.00/4.60	3.00/5.30
Lending	2.50/4.90	3.00/5.30

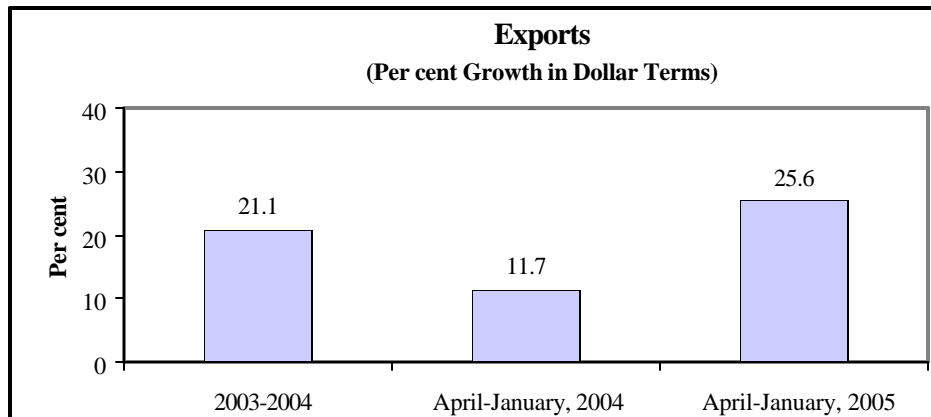
1. Minimum Term Lending Rate (MTLR)
2. Prime Lending Rate relates to five major Banks
3. Deposit Rate relates to major banks for term deposits of more than one year maturity.
4. Call money rates are based on data covering 90-95 per cent of total transactions reported by major participants.

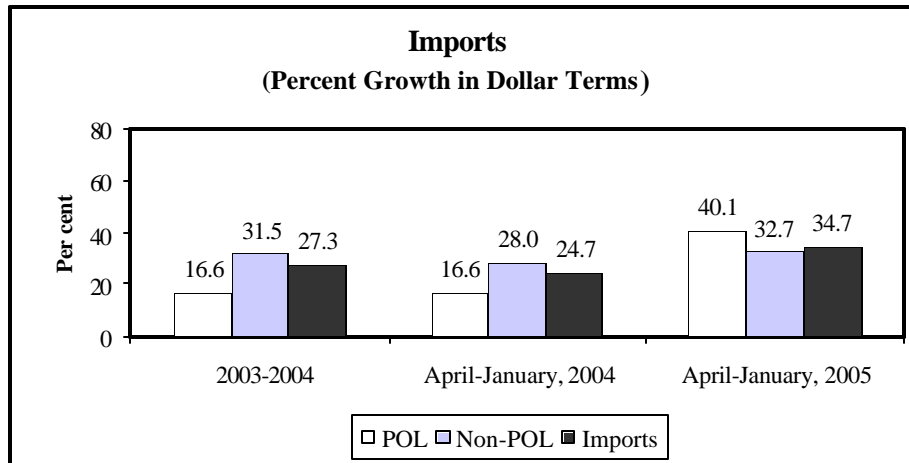
FOREIGN TRADE

Exports in dollar terms during April-January, 2005 increased by 25.6 percent as compared to an increase of 11.7 percent during April-January, 2004. Imports increased by 34.7 percent during April-January, 2005 as against an increase of 24.7 percent last year.

Item			April-January		% Change	
	2002-03 (R)	2003-04(PR)	2003-04	2004-05	2003-04	2004-05
Rs. Crore						
Exports	255137	293367	222864	274313	6.0	23.1
Imports	297206	359108	285327	376815	18.4	32.1
POL	85367	94520	77199	106000	10.8	37.3
Non-POL	211839	264588	208128	270815	21.5	30.1
Trade Balance	-42069	-65741	-62463	-102502	-	-
Million Dollars						
Exports	52719	63843	48390	60754	11.7	25.6
Imports	61412	78149	61938	83442	24.7	34.7
POL	17640	20569	16741	23461	16.6	40.1
Non-POL	43773	57580	45197	59981	28.0	32.7
Trade Balance	-8693	-14306	-13548	-22687	-	-

(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	522333	112717	-2399	-250
September	522515	113788	182	1071
October	525632	115651	3117	1863
November	547377	122319	21745	6668
December	545466	125164	-1911	2845
January*	540246	123654	-5220	-1510
February				
March				

* Provisional

EXTERNAL ASSISTANCE AND DEBT SERVICE PAYMENTS

Gross external aid during April-January, 2005 at Rs 11817.32 crore was 2.0 percent higher than that of Rs 11581.58 crore in the same period of last year. Net Aid flows were Rs. 4927.58 crore as compared with Rs. (-) 9445.03 crore during the same period of last year. Net Aid Transfers were Rs. 2286.33 crore as compared with Rs. (-) 12647.54 crore during the same period of last year.

EXTERNAL ASSISTANCE AND DEBT SERVICE PAYMENTS*

(Rs crore)

	Receipts		Repayment of Principal		Payment of Interest	
	2003-04	2004-05	2003-04	2004-05	2003-04	2004-05
External Assistance - Govt A/C	9124.78	9271.13	19205.65	6010.30	2709.99	2262.56
External Assistance – Non-Govt A/C	1260.76	948.00	1820.96	879.44	492.52	378.69
Govt. Grant	1112.41	1549.82	-	-	-	-
Non-Govt Grant	83.63	48.37	-	-	-	-
Grand Total	11581.58	11817.32	21026.61	6889.74	3202.51	2641.25
Net Disbursement	-9445.03	4927.58	-	-	-	-
Net Transfers	-12647.54	2286.33				

* April -January

Rupees Per Unit of foreign Currency

The average market exchange rate of the Rupee during January, 2005 appreciated against US Dollar, Pound Sterling, Euro and Japanese Yen as compared with average market exchange rate of the Rupee during December, 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	46.34	84.33	0.4196	56.43
September	46.10	82.61	0.4190	56.27
October	45.78	82.72	0.4202	57.19
November	45.13	83.76	0.4302	58.51
December	43.98	84.84	0.4238	58.95
January	43.75	82.28	0.4234	57.52
February				
March				

@ FEDAI Rates

INFLATION

The annual rate of inflation based on Wholesale Price Index (WPI) stood at 5.01 per cent for week ended February 12, 2005 compared with 6.08 per cent a year ago. This rate was contributed by an increase of 1.64 per cent in Primary Articles, 9.97 per cent increase in Fuel, Power, Lights and Lubricants and 4.49 per cent increase in Manufactured Products as against an increase of 3.28 per cent, 7.49 per cent and 6.72 per cent respectively on the corresponding date of last year.

WHOLESALE PRICE INDEX

WHOLESALE PRICE (Base: 1993-94)					
Items/G roups	Weight(%)	Percent variation during			
		Month		Year (Point to Point)	
		Last year	Current year	Last year (ending 12-2-2005)	Current year
All Commodities	100.00	0.50	0.11	6.08	5.01
1.Primary articles	22.03	-0.33	-0.05	3.28	1.64
2. fuel,Power,Light and Libricants	14.23	0.42	0.31	7.49	9.97
3. Manufactured Products	63.75	0.88	0.06	6.72	4.49

CONSUMER PRICE INDEX

All India Consumer Price Index for Industrial Workers (CPI-IW) for December, 2004 which stood at 521, decreased by 0.8 per cent over previous month's level and increased by 3.8 percent over December, 2003.

CONSUMER PRICE INDEX AND INFLATION RATE (%)		
	2003-04 (Up to Dec., 2003)	2004-05 (Up to Dec., 2004)
Annual Inflation	3.7	3.8
Financial Year Inflation	3.1	3.4
% Change over last month	-0.4	-0.8
Level of Index	502	521
Average of Index for 12 months ending December	495.50	514.17

PUBLIC FINANCE

Trends in Central Government Finances : April-December 2004

	Budget Estimates 2004-05	April-December		Col.3 as % of 2003-04 BE	Col. 4 as % of 2004-05 BE	% Change over proceeding year	
		2003-04	2004-05			2003-04	2004-05 (4/3)
(Rs. Crore)							
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1. Revenue Receipts	309322	170543	188493	67.2	60.9	13.3	10.5
Gross tax revenue	317733	164170	194231	65.3	61.1	12.3	18.3
Tax (net to Centre)	233906	118795	141246	64.5	60.4	14.4	18.9
Non Tax	75416	51748	47247	74.2	62.6	10.9	-8.7
2. Capital Receipts	168507	145760	138298	78.8	82.1	38.8	-5.1
of which:							
Recovery of loans	27100	51785	45153	287.3	166.6	231.6	-12.8
Other Receipts	4000	1540	2906	11.7	72.7	--	--
Borrowings and other liabilities	137407	92435	90239	60.2	65.7	7.1	-2.4
3. Total Receipts (1+2)	477829	316303	326791	72.1	68.4	40.8	3.3
4.Non-Plan Expenditure (a)+(b)	332239	239614	245567	75.4	73.9	25.4	2.5
(a) Revenue Account	293650	194505	198208	67.2	67.5	7.8	1.9
<i>Of which:</i>							
Interest payments	129500	78587	79885	63.8	61.7	6.9	1.7
Major Subsidies	42021	37503	32293	77.1	76.8	27.6	-13.9
Pensions	15928	10599	12480	68.5	78.4	9.8	17.7
(b) Capital Account	38589	45109	47359	158.6	122.7	327.5	5.0
5.Plan Expenditure (i)+(ii)	145590	76689	81224	63.4	55.8	18.9	5.9
(i) Revenue Account	91843	49037	53254	63.8	58.0	28.9	8.6
(ii) Capital Account	53747	27652	27970	62.7	52.0	4.6	1.2
6.Total Expenditure (4)+(5)=(a)+(b)	477829	316303	326791	72.1	68.4	23.8	3.3
(a)Revenue Expenditure	385493	243542	251462	66.5	65.2	11.5	3.3
(b)Capital Expenditure	92336	72761	75329	100.3	81.6	96.7	3.5
7. Revenue Deficit	76171	72999	62969	65.0	82.7	7.3	-13.7
8. Fiscal Deficit	137407	92435	90239	60.2	65.7	7.1	-2.4
9. Primary Deficit	7907	13848	10354	45.5	130.9	8.5	-25.2

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

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

(ii) Un-audited.

