

Ministry of Finance
Department of Economic Affairs
Economic Division
8(2)/Ec. Dn./2006

MONTHLY ECONOMIC REPORT
JANUARY, 2006

HIGHLIGHTS

- The winter season rainfall from January 1, 2006 to January 25, 2006 was normal/excess in 11 per cent of meteorological sub-divisions.
- Food grain stocks were 18.76 million tonnes as on December 1, 2005.
- Overall industrial growth was 7.8 per cent during April-December, 2005 as compared with 8.6 per cent in April-December, 2004.
- Core infrastructure sectors achieved an average growth rate of 4.5 per cent during April-December, 2005 as compared with 6.4 per cent in April-December, 2004.
- Broad Money (M3) growth (year-on-year) was 16.4 per cent as on January 20, 2006 as compared with 14.1 per cent last year.
- Exports grew by 16.1 per cent in dollar terms during April-November, 2005 as compared with 28.4 per cent in corresponding period last year. Imports grew by 29.3 per cent in April-November, 2005 as compared with 36.3 per cent in April-November, 2004.
- Forex reserves (excluding Gold and SDRs) stood at \$133.77 billion at the end of January, 2006.
- Rupee appreciated against US Dollar and Japanese Yen and depreciated against Pound Sterling and Euro in December, 2005.
- The annual inflation rate in terms of WPI (Base 1993-94=100) was 4.30 per cent for the week ended January 28, 2006 as compared with 5.14 per cent a year ago.
- Tax revenue (net to Centre) during April-December, 2005 was higher by 19.4 per cent compared with an increase of 18.9 per cent in corresponding period last year.
- In terms of value, Fiscal deficit during April-December, 2005 was higher by 20.1 per cent over corresponding period last year.
- In terms of value, Revenue deficit April-December, 2005 was higher by 26.5 per cent over corresponding period last year.

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Adviser

AGRICULTURE

WINTER SEASON RAINFALL*

In the winter season (January-February), the rainfall from January 1, 2006 to January 25, 2006 was normal/excess in 4 meteorological sub-divisions (11 per cent) and deficient/scanty in the remaining 32 (89 per cent). The annual average for 2001-2005 was normal/excess in 11 (31 per cent) meteorological sub-divisions and deficient/scanty in the remaining 25 (69 per cent).

Number of Meteorological Sub-divisions

	2001	2002	2003	2004	2005	2001-2005+	2006
Excess/Normal	11	14	3	19	8	11	4
Deficient/Scanty/Nil	25	22	33	17	28	25	32
Total	36	36	36	36	36	36	36

* (January-February)

+ Annual Average

PROCUREMENT

Wheat procurement up to January 31, 2006 in the current marketing year (i.e. 2005-06) declined by 12.0 per cent at 14.79 million tonnes as compared with 16.80 million tonnes in the corresponding period of 2004-05. Procurement of rice during the marketing year 2005-06 (up to January 31, 2006) at 17.46 million tonnes was higher by 10.5 per cent than the level of 15.80 million tonnes during the corresponding period of 2004-05.

	Full Marketing Year				Up to Jan. 31		% change
	2001-02	2002-03	2003-04	2004-05	2005	2006	Col. 7/Col.6
	Million Tonnes						
1	2	3	4	5	6	7	8
Rice(Oct-Sept.)	21.28	16.41	22.83	24.21	15.80	17.46	10.5
Wheat(Apr-Mar)	20.63	19.06	15.80	16.80	16.80	14.79	-12.0
Total	41.91	35.47	38.63	41.01	32.60	32.25	-1.1

OFF-TAKE

Off-take from the Public Distribution System from Central Pool during April-November, 2005 was 26.57 million tonnes which was higher by 0.5 per cent than the off-take of 26.43 million tonnes during April-November, 2004.

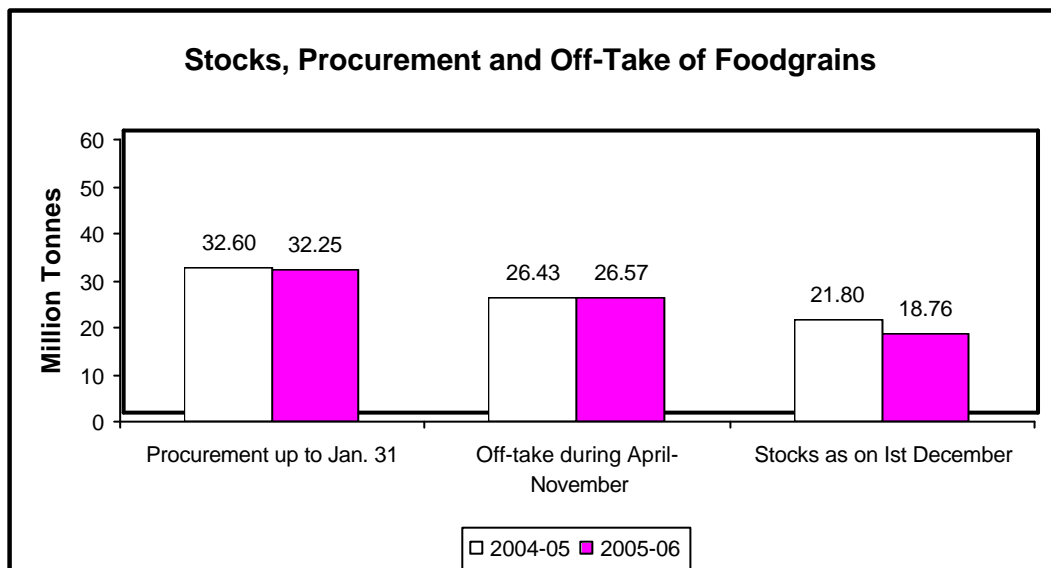
	2002-03(P)	2003-04(P)	2004-05(P)	April-November (P)	
				2004	2005
1	3	4	5	5	6
	Million Tonnes				
Rice	24.64	25.04	22.98	14.64	15.27
Wheat	24.99	24.29	18.27	11.79	11.30
Total	49.63	49.33	41.25	26.43	26.57

P : Provisional

STOCKS

Stocks of foodgrains as on December 1, 2005 was 18.76 million tonnes, which was lower by 13.9 per cent than the level of 21.80 million tonnes as on December 1, 2004.

	As on November 1		As on December 1	
	2004	2005	2004	2005
Million Tonnes				
Rice	11.00	10.34	11.14	11.13
Wheat	12.63	9.05	10.66	7.63
Total	23.63	19.39	21.80	18.76

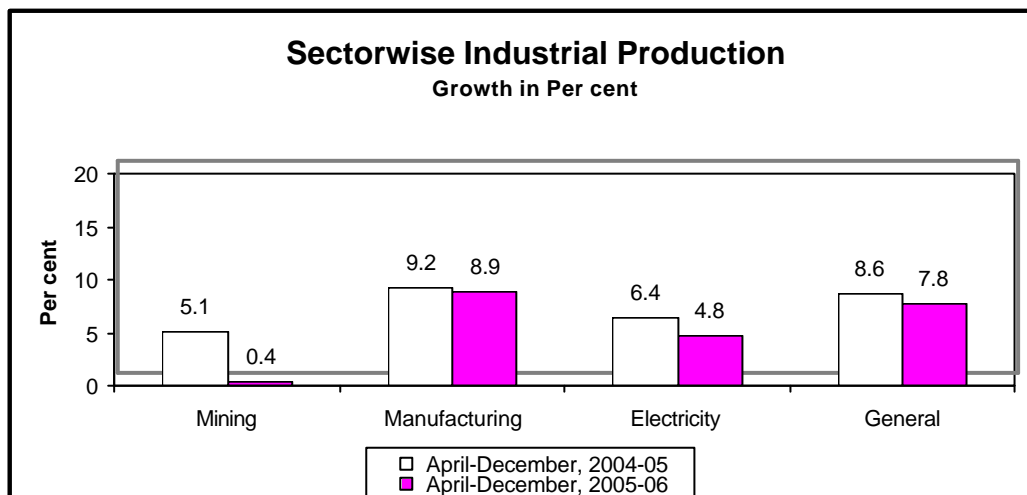


INDEX OF INDUSTRIAL PRODUCTION

The overall growth rate of index of industrial production (IIP) during April-December, 2005 was 7.8 percent as compared to 8.6 percent in April-December, 2004. The growth rate achieved by the mining, manufacturing and electricity sectors during April-December, 2005 was 0.4 percent, 8.9 percent and 4.8 percent respectively as compared to 5.1 percent, 9.2 percent and 6.4 percent respectively during corresponding period last year.

As per the use-based classification, growth rate in production in April-December, 2005 of basic goods was same as in the corresponding period last year and that of capital goods and consumer goods registered higher growth whereas intermediate goods showed lower growth as compared to April-December, 2004.

SECTORWISE INDEX OF INDUSTRIAL PRODUCTION						
(Base: 1993-94=100)						
(Percentage change)						
	2003-04	2004-05	Dec '04	Dec '05	April-Dec.	
					2004-05	2005-06
General	7.0	8.2	8.9	5.0	8.6	7.8
Mining	5.2	4.4	4.8	-1.8	5.1	0.4
Manufacturing	7.4	9.0	9.8	5.9	9.2	8.9
Electricity	5.1	5.2	4.5	2.9	6.4	4.8
Use-Based Classification						
Basic goods	5.4	5.5	6.6	5.0	6.0	6.0
Capital goods	13.6	13.3	19.7	14.6	13.8	15.7
Intermediate goods	6.4	5.9	3.8	-0.4	6.9	2.2
Consumer goods	7.1	11.5	12.3	6.5	11.4	12.2
<i>Of which</i>						
Consumer durables	11.6	14.3	12.4	12.3	15.3	13.6
Consumer non-durables	5.8	10.6	12.3	4.8	10.0	11.7



INFRASTRUCTURE

The six core infrastructure industries registered a lower growth of 4.5 per cent during April-December, 2005 as compared to 6.4 per cent in corresponding period last year.

PRODUCTION IN INFRASTRUCTURE INDUSTRIES								
		December		Full Yr.	April-December		% Change	
							April-December	
Industry/Infrastructure	Unit	2004	2005	2004-05	2004-05	2005-06	2004-05	2005-06
Coal	Mn tons	36.0	38.4	375.0	267.2	282.5	7.3	5.7
Electricity Generation	Mn kw	50543	52021	587366	437953	458570	6.4	4.7
Crude petroleum	000 tons	2876	2644	33981	25556	24040	2.8	-5.9
Petroleum Products	000 tons	9846	10715	118216	88303	88668	6.6	0.4
Finished steel	000 tons	3399	3627	38325	29319	31402	7.5	7.1
Cement	000 tons	11433	12968	131559	96303	106830	6.9	10.9
Average growth rate*	(%)	4.8	4.7	4.4	-	-	6.4	4.5
		November		Full Yr.	April-Nov.		April-Nov.	
Cargo handled at major ports	Mn tons	32.91	34.55	383.8	242.88	269.23	11.2	10.9
Telecommunications								
a) Net switching capacity	000 lines	686.76	905.45	6714.1	4119.87	5514.46	25.7	33.9
b) Net Tele. Connections	000 nos	769.94	1572.74	6962.1	4209.82	8010.18	-30.7	90.3
Revenue earning goods traffic on railways	Mn tons	49.37	55.03	601.9	384.70	421.95	7.4	9.7
* 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-November, 2005 increased by 9.7 per cent as compared to 7.4 per cent in corresponding period last year.

TRAFFIC ORIGINATING

(Million Tonnes)

	Full Year	November		April-Nov.		% Change
Commodities	2004-05	2004	2005	2004	2005	April-Nov., 2005
1	2	3	4	5	6	7
Coal	271.06	22.00	24.86	173.43	187.38	8.0
Raw material for Steel Plants	44.11	4.12	4.65	27.54	33.96	23.3
Pig Iron & Finished Steel From Steel Plants	14.86	1.33	1.34	9.39	10.59	12.8
Iron Ore for Exports	36.33	2.95	3.71	23.83	27.36	14.8
Cement	54.23	4.48	4.94	34.83	36.56	5.0
Foodgrains	46.19	3.34	2.41	30.62	26.18	-14.5
Fertilizers	28.36	2.67	3.28	18.90	21.39	13.2
POL	32.40	2.48	2.68	20.76	22.08	6.4
Balance other goods	74.35	6.00	7.16	45.40	56.45	24.3
Total	601.89	49.37	55.03	384.70	421.95	9.7

MONEY AND BANKING

During the current financial year 2005-06, broad money stock (M3) (up to January 20, 2006) increased by 13.2 per cent as compared with the growth rate of 9.3 per cent registered during the corresponding period of the last year. The year-on-year growth, as on January 20, 2006, was 16.4 per cent as compared with 14.1 per cent on the corresponding date of last year.

Net foreign exchange assets (NFA) of banking sector (up to January 20, 2006) registered an increase of 0.4 per cent as compared with a growth of 13.9 per cent in the same period last year. The annual growth rate of NFA, as on January 20, 2006, was 8.7 per cent as against 19.0 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, 2005	Jan. 20, 2006	2004-05	2005-06	2005	2006
M3(I+II+III+IV)	2253938	2551911	9.3	13.2	14.1	16.4
	(2250425)					
I. Currency with the public	355768	403925	10.2	13.5	13.4	16.4
II. Demand deposits with banks	284017	334180	2.0	17.7	20.3	26.7
III. Time deposits with banks	1607675	1809159	10.5	12.5	13.1	14.7
	(1604162)					
IV. Other deposits with RBI	6478	4647	7.6	-28.3	59.1	-15.7
Sources (1+2+3+4-5)						
1. Net bank credit to Govt. (A+B)	757906	779855	2.6	2.9	5.2	2.3
	(745713)					
A. RBI's net credit to Govt.	-17975	27323	-	-	-	-
B. Other bank credit to Govt.	775880	752532	7.2	-3.0	11.3	0.6
2. Bank credit to commercial sector	1280540	1552471	20.3	21.2	26.2	27.0
	(1247658)					
3. Net foreign exchange assets of banking sector	649255	651754	13.9	0.4	19.0	8.7
4. Government's currency liabilities to the public	7448	8618	1.9	15.7	2.1	15.9
5. Banking sector's net non-monetary liabilities other than time deposits	441210	440786	38.6	-0.1	-41.7	10.7

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 January 20, 2006) incremental gross bank credit increased by 24.0 per cent as compared with a growth of 24.6 per cent in the same period of the previous year. The year-on-year growth of gross bank credit as on January 20, 2006 was 30.3 per cent as against 31.4 per cent on the corresponding date of last year.

Non-Food credit during the financial year so far (up to January 20, 2006), registered a growth of 25.2 per cent as compared with 25.0 per cent during the same period of the last year. The year-on-year growth rate of non-food credit was 31.8 per cent as compared with 32.3 per cent on the corresponding date of last year.

The year-on-year growth of time deposits with SCBs as on January 20, 2006 was 15.5 per cent as compared with 14.3 per cent on the corresponding date of last year.

Items	Outstanding as on (Rs. Crore)		% Variations			
			Financial year so far		Year-on-year	
	March 18, 2005	Jan. 20, 2006	2004- 05	2005- 06	2005	2006
1. Bank credit	1100428	1364508	24.6	24.0	31.4	30.3
	(1067747)		(20.7)		(27.3)	
Food credit	41121	38343	15.2	-6.8	12.9	-7.4
Non-Food credit	1059307	1326165	25.0	25.2	32.3	31.8
	(1026626)		(20.9)		(28.0)	
2. Aggregate deposit	1700199	1948848	10.5	14.6	15.3	17.3
	(1696630)		(10.2)		(15.0)	
Demand deposit	248028	296967	2.8	19.7	21.7	28.4
Time deposits	1452171	1651881	11.8	13.8	14.3	15.5
	(1448602)		(11.6)		(14.0)	
3. Investments in Govt. and other approved securities	739154	714502	5.1	-3.3	9.3	0.4
	(726961)		(3.3)		(7.4)	
Government securities	718982	691721	5.6	-3.8	10.0	0.1
	(706789)		(3.7)		(8.0)	
Other approved securities	20172	22781	-8.7	12.9	-10.3	9.3

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 January 20, 2006 Bank Rate was 6.00 per cent, which is the same as on the corresponding date of last year. Call money rates (borrowing) were in the range of 4.50/7.95 per cent as compared with 2.25/5.25 per cent on the corresponding date of last year.

Item/week ended	2005	2006
	Jan. 21	Jan. 20
1	2	3
Bank Rate	6.00	6.00
IDBI ¹	10.25	10.25
Prime Lending Rate ²	10.25-10.75	10.25-10.75
Deposit Rate ³	5.25-6.25	5.50-6.50
Fixed Repo Rate of RBI	6.00	6.25
Fixed Reverse Repo Rate of RBI	4.75	5.25
Call Money Rate ⁴ (Low/High)		
Borrowings	2.25/5.25	4.50/7.95
Lending	2.25/5.25	4.50/7.95

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.

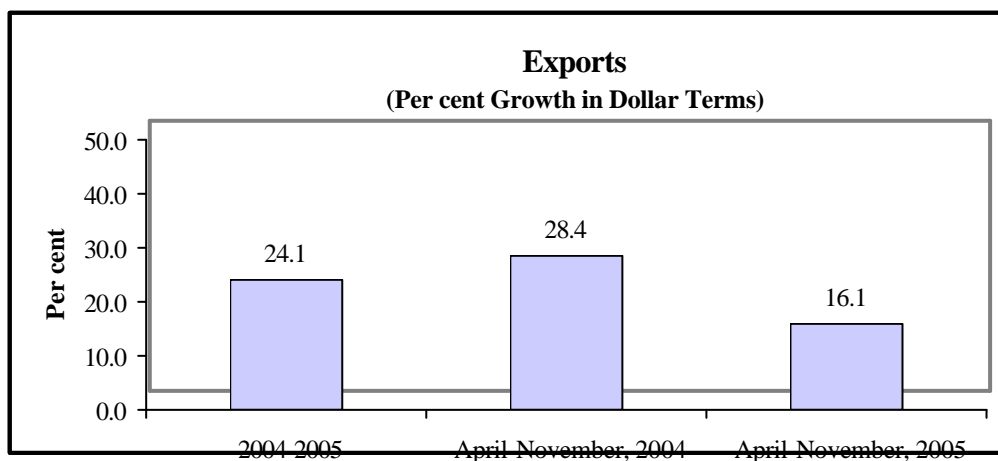
FOREIGN TRADE

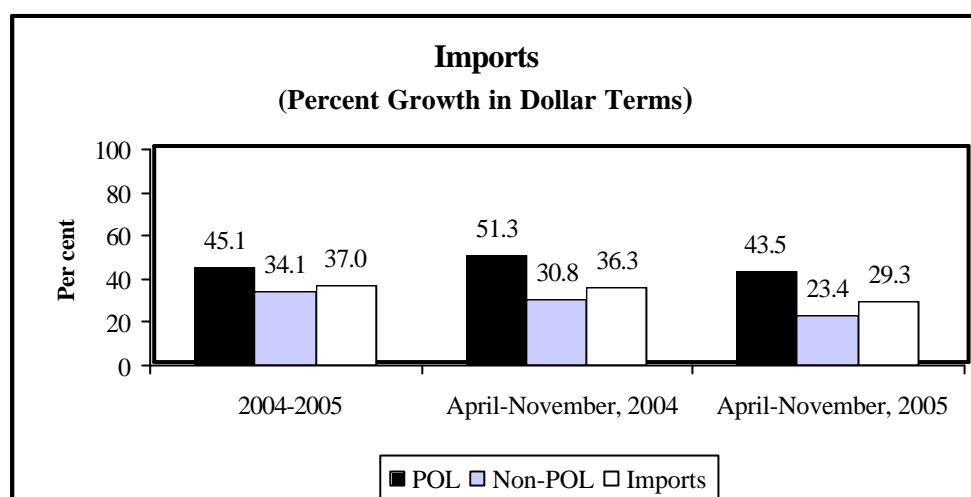
Exports in dollar terms during April-November, 2005 increased by 16.1 percent as compared to an increase of 28.4 percent in April-November, 2004. Imports increased by 29.3 percent in April-November, 2005 as against an increase of 36.3 percent in corresponding period last year.

Item	2003-04(R)	2004-05 (P)	April-Nov. (P)		April-Nov. % Change	
			2004-05	2005-06	2004-05	2005-06
Rs. Crore						
Exports	293367	361879	224674	251173	26.9	11.8
Imports	359108	490531	301119	373006	35.4	23.9
POL	94520	134094	88448	122262	49.4	38.2
Non-POL	264588	356437	212671	250745	30.4	17.9
Trade Balance	-65741	-128652	-76445	-121833	-	-
Million Dollars						
Exports	63843	79247	49156	57057	28.4	16.1
Imports	78149	107066	65497	84700	36.3	29.3
POL	20569	29844	19351	27762	51.3	43.5
Non-POL	57580	77222	46145	56938	30.8	23.4
Trade Balance	-14306	-27819	-16340	-27643	-	-

(R) : Revised (P) Provisional

Source: 1. For 2003-04 (R) and 2004-05 (P), DGCI&S.
2. April-November data is as per Ministry of Commerce & Industry Monthly Press Note.





FOREIGN EXCHANGE RESERVES
(EXCLUDING GOLD & SDRs)

	Amount		Variation	
	Rs.Crore	\$ Million	Rs.Crore	\$ Million
At the end of			(over last year)	
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
March, 2005	593121	135571	126906	28123
2005-2006			(over last month)	
April	593423	135950	302	379
May	580749	132925	-12674	-3025
June	575864	132352	-4885	-573
July	585319	134587	9455	2235
August	608225	138107	22906	3520
September	602309	136920	-5916	-1187
October	619299	137286	16990	366
November	627455	136582	8156	-704
December	590497	131018	-36958	-5564
January*	589526	133770	-971	2752

* Provisional

Source : RBI.

EXTERNAL ASSISTANCE AND DEBT SERVICE PAYMENTS

Gross external aid during April-December, 2005 at Rs 11760.68 crore was 6.6 percent higher than that of Rs 11027.70 crore in April-December, 2004. Net Disbursements were Rs. 6044.81 crore as compared with Rs. 4925.49 crore during same period last year. Net Aid Transfers were Rs. 3535.83 crore as compared with Rs. 2508.64 crore during corresponding period last year.

EXTERNAL ASSISTANCE AND DEBT SERVICE PAYMENTS*

(Rs crore)

	Receipts		Repayment of Principal		Payment of Interest	
	2004-05	2005-06	2004-05	2005-06	2004-05	2005-06
External Assistance - Govt A/C	8498.46	9618.87	5208.22	5007.06	2002.44	2171.47
External Assistance – Non-Govt A/C	941.17	677.21	893.99	708.81	414.41	337.51
Govt. Grant	1540.73	1418.60	-	-	-	-
Non-Govt Grant	47.34	46.00	-	-	-	-
Grand Total	11027.70	11760.68	6102.21	5715.87	2416.85	2508.98
Net Disbursement	4925.49	6044.81	-	-	-	-
Net Transfers	2508.64	3535.83	-	-	-	-

* April-December

Rupees Per Unit of Foreign Currency

The average market exchange rate of the Rupee during December, 2005 appreciated against US Dollar and Japanese Yen and depreciated against Pound Sterling and Euro as compared with average market exchange rate of the Rupee during November, 2005.

Rupees Per Unit of Foreign Currency

	(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
March, 2005	43.69	83.25	0.4152	57.66
2005-2006				
April	43.74	82.92	0.4080	56.62
May	43.49	80.82	0.4080	55.26
June	43.58	79.31	0.4013	53.04
July	43.54	76.36	0.3892	52.45
August	43.63	78.15	0.3939	53.59
September	43.92	79.47	0.3955	53.83
October	44.82	79.08	0.3904	53.91
November	45.73	79.32	0.3861	53.93
December	45.64	79.70	0.3851	54.12

@ FEDAI Rates

INFLATION

The annual rate of inflation based on Wholesale Price Index (WPI) stood at 4.30 per cent for week ended January 28, 2006 compared with 5.14 per cent a year ago. This rate was contributed by an increase of 5.87 per cent in Primary Articles, 7.95 per cent increase in Fuel, Power, Lights and Lubricants and 2.33 per cent increase in Manufactured Products as against an increase of 1.10 per cent, 9.84 per cent and 5.02 per cent respectively on the corresponding date of last year.

VARIATION IN WHOLESALE PRICE INDEX (Base: 1993-94)					
Items/Groups	Weight(%)	Percent variation during			
		Month		Year (Point to Point) (ending 28-1-2006)	
		Last year	Current year	Last year	Current year
All Commodities	100.00	-0.11	-0.20	5.14	4.30
1.Primary articles	22.03	-0.76	0.15	1.10	5.87
2. Fuel, Power, Light and Lubricants	14.23	-0.03	-0.03	9.84	7.95
3. Manufactured Products	63.75	0.06	-0.41	5.02	2.33

CONSUMER PRICE INDEX

All India Consumer Price Index for Industrial Workers (CPI-IW) for December, 2005 stood at 550 (declined by 0.5 per cent over previous month's level of 553). The level of CPI-IW of December, 2005 was higher than the level of December, 2004 by 5.57 per cent.

CONSUMER PRICE INDEX AND INFLATION RATE (%)		
(Base : 1982=100)		
	2004-05 (Dec., 2004)	2005-06 (Dec., 2005)
Annual Inflation	3.78	5.57
Financial Year Inflation	3.4	4.8
% Change over last month	-0.8	-0.5
Level of Index	521	550
Average of Index for 12 months ending December	514.17	536.00

PUBLIC FINANCE

Trends in Central Government Finances: April-December 2005

	Budget Estimates 2005-06	April-December		Col.3 as % of 2004-05 BE	Col. 4 as % of 2005-06 BE	% Change over proceeding year	
		2004-05	2005-06			2004-05	2005-06 (4/3)
(Rs. Crore)							
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1. Revenue Receipts	351200	188493	216746	60.9	61.7	10.5	15.0
Gross tax revenue	370025	194231	230839	61.1	62.4	18.3	18.8
Tax (net to Centre)	273466	141246	168715	60.4	61.7	18.9	19.4
Non Tax	77734	47247	48031	62.6	61.8	-8.7	1.7
2. Capital Receipts	163144	138298	115753	82.1	71.0	-5.1	-16.3
of which:							
Recovery of loans	12000	45153	7408	166.6	61.7	-12.8	-83.6
Other Receipts	0	2906	11	72.7		--	-99.6
Borrowings and other liabilities	151144	90239	108334	65.7	71.7	-2.4	20.1
3. Total Receipts (1+2)	514344	326791	332499	68.4	64.6	3.3	1.7
4. Non-Plan Expenditure (a)+(b)	370847	245567	237904	73.9	64.2	2.5	-3.1
(a) Revenue Account	330530	198208	221552	67.5	67.0	1.9	11.8
<i>Of which:</i>							
Interest payments	133945	79885	80972	61.7	60.5	1.7	1.4
Major Subsidies	46098	32293	33230	76.8	72.1	-13.9	2.9
Pensions	19542	12480	14621	78.4	74.8	17.7	17.2
(b) Capital Account	40317	47359	16352	122.7	40.6	5.0	-65.5
5. Plan Expenditure (i)+(ii)	143497	81224	94595	55.8	65.9	5.9	16.5
(i) Revenue Account	115982	53254	74875	58.0	64.6	8.6	40.6
(ii) Capital Account	27515	27970	19720	52.0	71.7	1.2	-29.5
6. Total Expenditure (4)+(5)=(a)+(b)	514344	326791	332499	68.4	64.6	3.3	1.7
(a) Revenue Expenditure	446512	251462	296427	65.2	66.4	3.3	17.9
(b) Capital Expenditure	67832	75329	36072	81.6	53.2	3.5	-52.1
7. Revenue Deficit	95312	62969	79681	82.7	83.6	-13.7	26.5
8. Fiscal Deficit	151144	90239	108334	65.7	71.7	-2.4	20.1
9. Primary Deficit	17199	10354	27362	130.9	159.0	-25.2	164.3

Source : Controller General of Accounts, MOF, GOI.

