

**Government of India
Ministry of Finance
Department of Economic Affairs
Economic Division
8(2)/Ec. Dn/2003**

**MONTHLY ECONOMIC REPORT
JULY, 2004**

HIGHLIGHTS

- The Pre-Monsoon season rainfall from June 1, 2004 to July 7, 2004 was normal/excess in 67 per cent meteorological sub-divisions.
- Foodgrain stocks were 31.64 million tonnes as on June 1, 2004
- Overall industrial growth was 7.5 per cent in April-May, 2004 as compared with 5.3 per cent in April-May, 2003.
- Core infrastructure sectors achieved an average growth rate of 6.7 per cent in April-May, 2004 as compared with 4.3 per cent in April-May, 2003.
- Broad Money (M3) growth (year-on-year) was 14.8 per cent as on June 25, 2004 as compared with 12.4 per cent last year.
- Exports grew by 24.9 per cent in dollar terms in April-May, 2004 as compared with 8.7 per cent in the corresponding period last year. Imports grew by 25.8 per cent during April-May, 2004 as compared with 23.7 per cent last year.
- Forex reserves (excluding Gold and SDRs) stood at \$ 114.15 billion as on June 30, 2004.
- Rupee depreciated against US Dollar, Pound Sterling, Japanese Yen and Euro in June, 2004.
- The annual inflation rate in terms of WPI (Base 1993-94=100) was 6.16 per cent for the week ended July 3, 2004 as compared with 5.15 per cent a year ago.
- Tax revenue (net to Centre) in April-May 2004 (provisional) was lower by 2.4 per cent over April-May 2003.
- Fiscal deficit in April-May 2004 (provisional) increased by 14.2 per cent over April-May 2003.

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

AGRICULTURE

MONSOON SEASON RAINFALL*

Number of Meteorological Sub-divisions

	1999	2000	2001	2002	2003	1999-2003+	2004
Excess/Normal	24	26	30	16	32	26	24
Deficient/Scanty/Nil	12	10	6	20	4	10	12
Total	36	36	36	36	36	36	36

* (June-September)

+ Annual Average

The monsoon season rainfall from June 1, 2004 to July 7, 2004 was normal/excess in 24 meteorological sub-divisions (67 per cent) and deficient/scanty in the remaining 12 (33 per cent). The annual average for 1999-2003 was normal/excess in 26 (71 per cent) meteorological sub-divisions and deficient/scanty in the remaining 10 (29 per cent).

PROCUREMENT

	Full Marketing Year				Up to July 14		% 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		15.97	22.29	39.6
Wheat(Apr-Mar)	16.36	20.63	19.06	15.80	15.78	16.71	5.9
Total	35.95	41.91	35.47	15.80	31.75	39.00	22.8

Wheat procurement up to July 14, 2004 in the current marketing year (i.e. 2004-05) was higher by 5.9 per cent at 16.71 million tonnes compared with 15.78 million tonnes in the corresponding period in 2003-04. Procurement of rice during the marketing year 2003-04 (up to July 14, 2004) at 22.29 million tonnes was higher by 39.6 per cent than the level of 15.97 million tonnes during the corresponding period of 2002-03.

OFF-TAKE

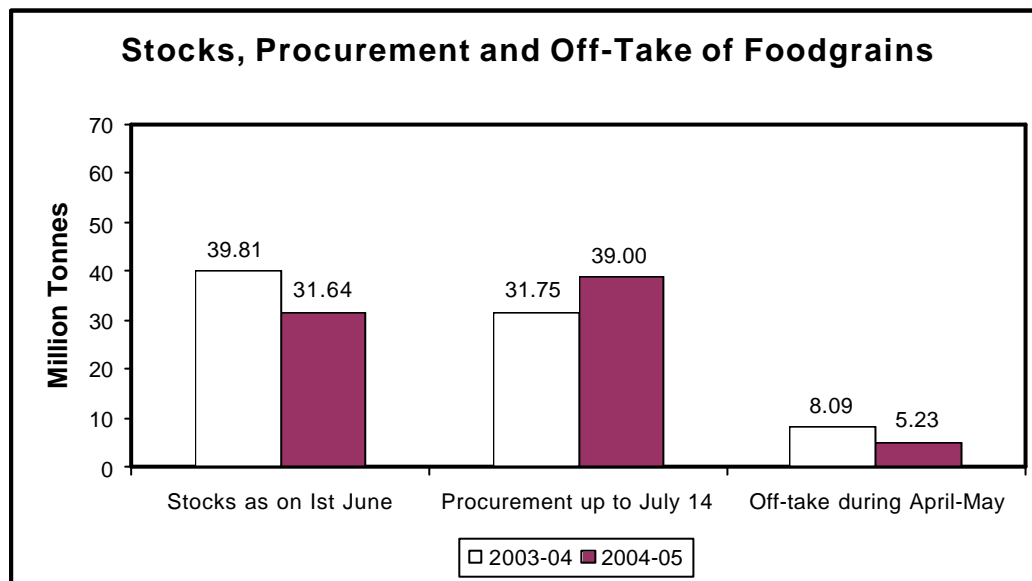
	2001-02(P)	2002-03(P)	2003-04(P)	April-May	
				2003-04(P)	2004-05(P)
1	2	3	4	5	6
	Million Tonnes				
Rice	15.32	24.64	23.74	4.11	2.91
Wheat	15.99	24.99	24.19	3.99	2.33
Total	31.30	49.63	47.93	8.09	5.23

Off-take from the Public Distribution System from Central Pool during April-May, 2004 was 5.23 million tonnes which was lower by 35.35 per cent than the off-take of 8.09 million tonnes during the corresponding period of last year.

STOCKS

	As on May 1		As on Jun 1	
	2003	2004	2003	2004
Million Tonnes				
Rice	15.32	12.73	13.27	12.25
Wheat	26.01	19.03	26.54	19.39
Total	41.33	31.76	39.81	31.64

Stocks of foodgrains as on June 1, 2004 was 31.64 million tonnes which was lower by 20.5 per cent than the level of 39.81 million tonnes as on June 1, 2003.



INDEX OF INDUSTRIAL PRODUCTION

SECTORWISE INDEX OF INDUSTRIAL PRODUCTION

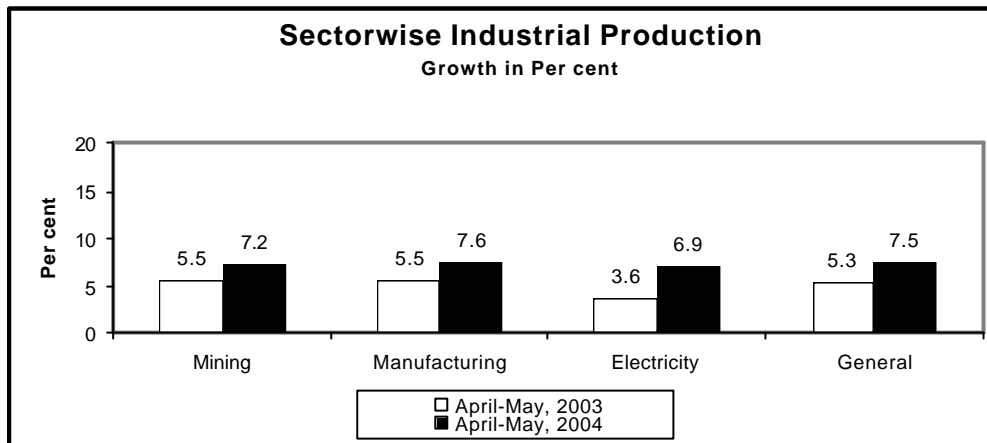
(Base: 1993-94=100)

(Percentage change)

	2002-03	2003-04	May '03	May '04	April-May	
					2003-04	2004-05
					General	5.7
Mining	5.8	5.2	4.7	4.9	5.5	7.2
Manufacturing	6.0	7.3	6.7	6.7	5.5	7.6
Electricity	3.2	5.1	5.2	3.6	3.6	6.9
Use-Based Classification						
Basic goods	4.9	5.4	4.9	3.1	3.9	5.5
Capital goods	10.5	13.1	7.7	10.4	7.1	11.3
Intermediate goods	3.9	6.3	-0.3	11.5	0.9	11.3
Consumer goods	7.1	7.1	14.2	3.8	10.5	5.1
<i>Of which</i>						
Consumer durables	-6.3	11.5	11.4	8.3	5.9	9.4
Consumer non-durables	12.0	5.7	15.1	2.4	12.0	3.7

The overall growth rate of Industrial production during April-May, 2004 was 7.5 percent as compared to 5.3 percent in April-May, 2003. The growth in mining, manufacturing and electricity during April-May, 2004 was 7.2 percent, 7.6 percent and 6.9 percent as compared to 5.5 percent, 5.5 percent and 3.6 percent respectively, during April-May, 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.



INFRASTRUCTURE

PRODUCTION IN INFRASTRUCTURE INDUSTRIES

		May		FullYr.	April-May		% Change	
		2003	2004		2003-04	2004-05	2003-04	2004-05
Industry/Infrastructure	Unit	2003	2004	2003-04	2003-04	2004-05	2003-04	2004-05
Coal	Mn tons	26.8	28.4	354.7	53.0	56.2	3.7	6.0
Electricity Generation	Mn kw	46499	48189	558134	90783	97077	3.6	6.9
Hydel	Mn kw	5764	6342	73796	10258	11598	-9.6	13.1
Thermal (including nuclear)	Mn kw	40735	41847	484338	80526	85479	5.6	6.2
Crude petroleum	000 tons	2667	2883	33384	5239	5731	-3.7	9.4
Petroleum Products	000 tons	8990	10214	113241	17549	19908	3.0	13.4
Finished steel	000 tons	2902.1	3058.4	36925.1	5732.5	5925.1	10.5	3.4
Cement	000 tons	11110	10908	123440	20670	22010	2.7	6.5
Average growth rate*	(%)	4.1	5.1	5.4	-	-	4.3	6.7
		April	April	Full Yr.			April	April
Cargo handled at major ports	Mn tons	26.93	28.41	344.52			6.1	5.5
Telecommunications								
a) Net switching capacity	000 limes	78.64	19.37	1817.66			0.2	-75.4
b) Net Tele. Connections	000 nos	-84.30	372.61	7804.86			-	-
Revenue earning								
goods traffic on railways	Mn tons	43.07	45.59	557.39			7.2	5.9

* 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).

The six core infrastructure industries registered a higher growth of 6.7 per cent in the period of April-May, 2004 as compared to 4.3 per cent in the corresponding period of last year.

Revenue Earning goods traffic handled by Railways

	April		Full Year		Percentage Change	
	2003	2004	2002-03	2003-04	April, 04	2003-04
Commodities						
Coal	20.45	20.64	235.85	251.66	0.9	6.7
Raw material for Steel Plants.	3.53	3.27	40.99	43.94	-7.4	7.2
Pig Iron & Finished Steel From Steel Plants	1.01	1.01	13.63	14.34	0.0	5.2
Iron Ore for Exports	1.72	2.77	16.66	26.66	61.0	60.0
Cement	3.90	4.61	46.25	49.52	18.2	7.1
Foodgrains	3.44	3.52	45.60	45.43	2.3	-0.4
Fertilizers	1.54	1.73	26.46	25.83	12.3	-2.4
POL	2.49	2.40	34.05	32.02	-3.6	-6.0
Balance other goods	4.99	5.64	59.25	67.99	13.0	14.8
Total	43.07	45.59	518.74	557.39	5.9	7.5

The revenue earning goods traffic handled by Railways in the month of April, 2004 increased by 5.9 per cent as compared to 7.2 per cent in the corresponding month of last year.

MONEY AND BANKING

Items	Outstanding as on (Rs. crore)		% Variations			
			Financial year so far		Year-on-year	
	March 31, 2004	Jun 25, 2004	2003-04	2004-05	2003	2004
M3(I+II+III+IV)	2000349	2076750	5.2	3.8	12.4	14.8
I. Currency with the public	316758	329836	5.8	4.1	12.5	14.9
II. Demand deposits with banks	251371	243425	6.3	-3.2	15.0	15.8
III. Time deposits with banks	1427179	1499949	4.9	5.1	12.0	14.7
IV. Other deposits with RBI	5041	3541	2.0	-29.8	2.1	7.1
Sources (1+2+3+4-5)						
1. Net bank credit to Govt. (A+B)	741968	755196	5.5	1.8	12.1	6.1
A. RBI's net credit to Govt.	44907	10764	-3.7	-76.0	-21.4	-90.7
B. Other bank credit to Govt.	697061	744432	7.5	6.8	22.3	25.0
2. Bank credit to commercial sector	1011074	1058731	1.4	4.7	10.9	17.0
3. Net foreign exchange assets of banking sector	515304	584111	6.1	13.4	24.9	39.9
4. Government's currency liabilities to the public	7291	7312	1.2	0.3	9.5	2.2
5. Banking sector's non-monetary liabilities other than time deposits	275288	328600	-6.3	19.4	27.7	41.3

During the current financial year 2004-05, broad money stock (M3) (up to June 25, 2004) increased by 3.8 per cent as compared with the growth rate of 5.2 per cent registered during the corresponding period of the last year. The year-on-year growth as on June 25, 2004 was 14.8 per cent as compared with 12.4 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 June 25, 2004, these assets have grown by 13.4 per cent as compared with 6.1 per cent in the same period of last year. The annual growth of NFA as on June 25, 2004 was 39.9 per cent, which is much higher than the growth rate of 24.9 per cent achieved on the corresponding date of last year.

Scheduled Commercial Banks: Business in India

Items	Outstanding as on (Rs. crore)		% Variations			
			Financial year so far		Year-on-year	
	March 19, 2004	June 25, 2004	2003- 04	2004-05	2003	2004
1. Bank credit	835382	877408	0.5	5.0	13.0	19.7
Food credit	35961	43061	1.2	19.7	-17.9	-14.0
Non-Food credit	799421	834347	0.5	4.4	16.2	22.2
2. Aggregate deposit	1501931	1559933	5.0	3.9	12.3	16.0
Demand deposit	221950	212553	6.7	-4.2	15.1	17.0
Time deposits	1279981	1347380	4.7	5.3	11.8	15.9
3. Investments in Govt. and other approved securities	679655	717409	6.5	5.6	20.4	23.0
Government securities	653244	694034	6.8	6.2	22.0	24.2
Other approved securities	26411	23375	-0.1	-11.5	-6.7	-3.1

During the current financial year (up to June 25, 2004) incremental gross bank credit increased by 5.0 per cent as compared with 0.5 per cent in the previous year. The year-on-year growth of gross bank credit as on June 25, 2004 was 19.7 per cent as against 13.0 per cent on the corresponding date of last year.

Non-Food credit during the financial year so far, registered a growth of 4.4 per cent as compared with an increase of 0.5 per cent during the same period of the last year. The annual growth rate was 22.2 per cent as compared with 16.2 per cent on the corresponding date of last year.

The year-on-year growth of time deposits with banks as on June 25, 2004 was higher at 15.9 per cent as compared with 11.8 per cent on the corresponding date of last year.

INTEREST RATES (PER CENT PER ANNUM)

Item/week ended	2003	2004
	June 27	June 25
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	2.00/5.15	3.00/4.60
Lending	2.00/5.15	3.00/4.60

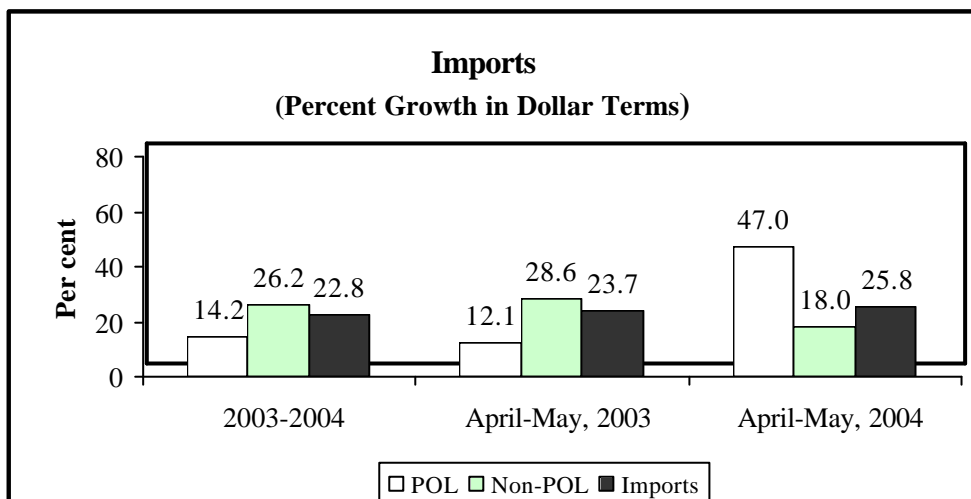
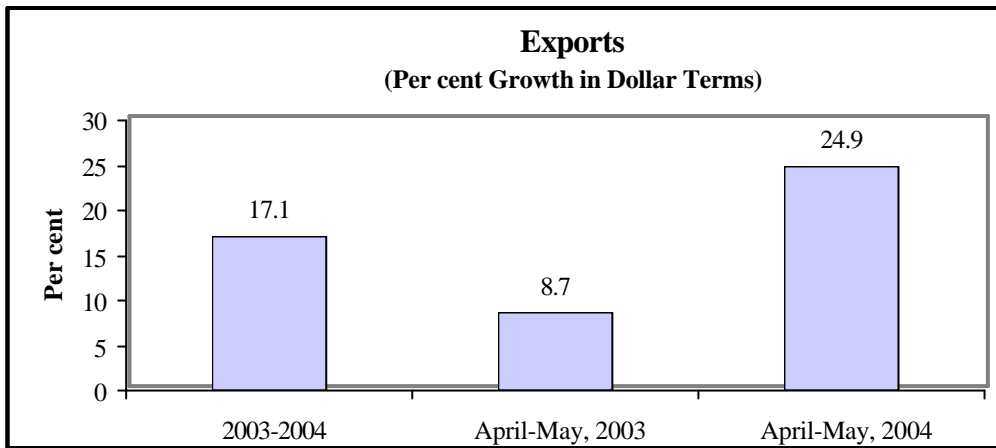
1. Minimum Term Lending Rate (MTLR)
2. Prime Lending Rate relates to five major Banks
3. Deposit Rate relates to major banks for term deposits of more than one year maturity.
4. Call money rates are based on data covering 90-95 per cent of total transactions reported by major participants.

As on June 25, 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 3.00/4.60 as compared with 2.00/5.15 per cent on the corresponding date of last year.

FOREIGN TRADE						
Item			April-May		% Change	
	2002-03 @	2003-04	2003-04	2004-05	2003-04	2004-05
Rs. Crore						
Exports	255137	283604	40933	48315	4.8	18.0
Imports	297206	346474	54840	65192	19.3	18.9
POL	85367	92589	14780	20512	8.1	38.8
Non-POL	211839	253885	40060	44680	24.0	11.5
Trade Balance	-42069	-62870	-13906	-16878	-	-
Million Dollars						
Exports	52719	61718	8668	10823	8.7	24.9
Imports	61412	75400	11613	14608	23.7	25.8
POL	17640	20149	3130	4600	12.1	47.0
Non-POL	43773	55251	8483	10008	28.6	18.0
Trade Balance	-8693	-13682	-2945	-3784	-	-

(R) : Revised

Exports in dollar terms during April-May, 2004 increased by 24.9 percent as compared to an increase of 8.7 percent during April-May, 2003. Imports increased by 25.8 percent during April-May, 2004 as against an increase of 23.7 percent last year.



**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				
August				
September				
October				
November				
December				
January				
February				
March				
* Provisional				

EXTERNAL AID RECEIPTS 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
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 \$						

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.

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
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				
August				
September				
October				
November				
December				
January				
February				
March				
@ FEDAI Rates				

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

INFLATION

WHOLESALE PRICE INDEX

WHOLESALE PRICE (Base: 1993-94)					
Items/Groups	Weight(%)	Percent variation during			
		Month		Year (Point to Point)	
		Last year	Current year	(ending 3-7-2004)	
		Last year	Current year	Last year	Current year
All Commodities	100.00	0.35	0.93	5.15	6.16
1.Primary articles	22.03	0.11	-0.91	6.63	1.87
2. fuel,Power,Light and Libricants	14.23	1.30	3.54	4.57	10.27
3. Manufactured Products	63.75	0.20	0.80	4.83	6.42

The annual rate of inflation based on Wholesale Price Index (WPI) stood at 6.16 per cent for week ended July 3, 2004 compared with 5.15 per cent a year ago. This rate was contributed by an increase of 1.87 per cent in Primary Articles, 10.27 per cent increase in Fuel, Power, Lights and Lubricants and 6.42 per cent increases in Manufactured Products as against an increase of 6.63 per cent, 4.57 per cent and 4.83 per cent respectively on the corresponding date of last year.

CONSUMER PRICE INDEX

CONSUMER PRICE INDEX AND INFLATION RATE (%)		
	2003-04 (Up to May, 2003)	2004-05 (Up to May, 2004)
Annual Inflation	4.7	2.8
Financial Year Inflation	1.4	0.8
% Change over last month	0.2	0.8
Level of Index	494	508
Average of Index for 12 months ending May	485.58	502.42

All India Consumer Price Index for Industrial Workers (CPI-IW) for May, 2004 which stood at 508, increased by 0.8 per cent over previous month's level and increased by 2.8 percent over May, 2003.

PUBLIC FINANCE

Trends in Central Government Finances : April-May 2004

	Budget Estimates	April-May		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	290882	7436	7909	2.9	2.7	-37.0	6.4
Gross tax revenue	300323	14384	17297	5.7	5.8	-23.0	20.3
Tax (net to Centre)	220132	4835	4720	2.6	2.1	-51.0	-2.4
Non Tax	70750	2601	3189	3.7	4.5	33.9	22.6
2. Capital Receipts	166552	38241	52461	20.7	31.5	13.3	37.2
of which:							
Recovery of loans	14100	4079	13377	22.6	94.9	77.7	227.9
Other Receipts	16000	21	102	0.2	0.6	--	--
Borrowings and other liabilities	136452	34141	38982	22.2	28.6	13.9	14.2
3. Total Receipts (1+2)	457434	45677	60370	10.4	13.2	0.2	32.2
4. Non-Plan Expenditure (a)+(b)	322363	37042	46786	11.7	14.5	8.1	26.3
(a) Revenue Account	295359	34711	42556	12.0	14.4	9.0	22.6
<i>Of which:</i>							
Interest payments	129500	14198	19860	11.5	15.3	-10.9	39.9
Major Subsidies	44022	7354	8800	15.1	20.0	49.7	19.7
Pensions	15928	1097	1558	7.1	9.8	4.3	42.0
(b) Capital Account	27004	2331	4230	8.2	15.7	-3.7	81.5
5. Plan Expenditure (i)+(ii)	135071	8635	13584	7.1	10.1	-23.7	57.3
(i) Revenue Account	85383	5055	9165	6.6	10.7	-28.8	81.3
(ii) Capital Account	49688	3580	4419	8.1	8.9	-15.1	23.4
6. Total Expenditure (4)+(5)=(a)+(b)	457434	45677	60370	10.4	13.2	0.2	32.2
(a) Revenue Expenditure	380742	39766	51721	10.9	13.6	2.1	30.1
(b) Capital Expenditure	76692	5911	8649	8.1	11.3	-10.9	46.3
7. Revenue Deficit	89860	32330	43812	28.8	48.8	19.2	35.5
8. Fiscal Deficit	136452	34141	38982	22.2	28.6	13.9	14.2
9. Primary Deficit	6952	19943	19122	65.6	275.1	42.0	-4.1

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

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