

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

**MONTHLY ECONOMIC REPORT
MAY, 2004**

HIGHLIGHTS

- The Pre-Monsoon season rainfall from March 1, 2004 to May 12, 2004 was normal/excess in 67 per cent meteorological sub-divisions.
- Foodgrain stocks were 20.0 million tonnes as on April 1, 2004
- Overall industrial growth was 6.9 per cent in 2003-04 as compared with 5.7 per cent in 2002-03.
- Core infrastructure sectors achieved an average growth rate of 5.4 per cent in 2003-04 as compared with 5.6 per cent in 2002-03.
- Broad Money (M3) growth (year-on-year) was 16.1 per cent during the period March 31, 2004 to April 30, 2004 as compared with 11.8 per cent last year.
- The annual inflation rate in terms of WPI (Base 1993-94=100) was 4.2 per cent for the week ended May 8, 2004 as compared with 6.8 per cent a year ago.
- Exports grew by 19.9 per cent in dollar terms in April, 2004 as compared with 4.6 per cent in the corresponding month last year. Imports grew by 20.8 per cent during April, 2004 as compared with 32.8 per cent last year.
- Rupee appreciated against US Dollar, Pound Sterling, Euro and Japanese Yen in April, 2004.
- Forex reserves (excluding Gold and SDRs) stood at \$ 113.01 billion as on April 30, 2004.
- Tax revenue (net to Centre) during April-February 2004 was higher by 15.1 per cent over the same period of last year.
- Fiscal deficit during April-February 2004, was 71.9 per cent of the Budget Estimates as compared with 84.9 per cent during the corresponding period of last year.

(G.R.Reddy)
Adviser

AGRICULTURE

PRE-MONSOON RAINFALL *

Number of Meteorological Sub-divisions

	1999	2000	2001	2002	2003	1999-2003+	2004
Excess/Normal	9	19	27	14	19	18	24
Deficient/Scanty/Nil	26	16	8	22	17	18	12
Total	35	35	35	36	36	36	36

* March-May

+ Annual Average

The pre-monsoon season rainfall from March 1, 2004 to May 12, 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 18 (50 per cent) meteorological sub-divisions and deficient/scanty in the remaining 18 (50 per cent).

PROCUREMENT

	Full Marketing Year				Upto May 21		% 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		15.18	20.76	36.8
Wheat(Apr-Mar)	16.36	20.63	19.06	15.80	15.17	15.87	4.6
Total	35.95	41.91	35.47	15.80	30.35	36.63	20.7

Wheat procurement up to May 21, 2004 in the current marketing year (i.e. 2004-05) was higher by 4.6 per cent at 15.87 million tonnes compared with 15.17 million tonnes in the corresponding period in 2003-04. Procurement of rice during the marketing year 2003-04 (up to May 21, 2004) at 20.76 million tonnes was higher by 36.8 per cent than the level of 15.18 million tonnes during the corresponding period of 2002-03.

OFF-TAKE

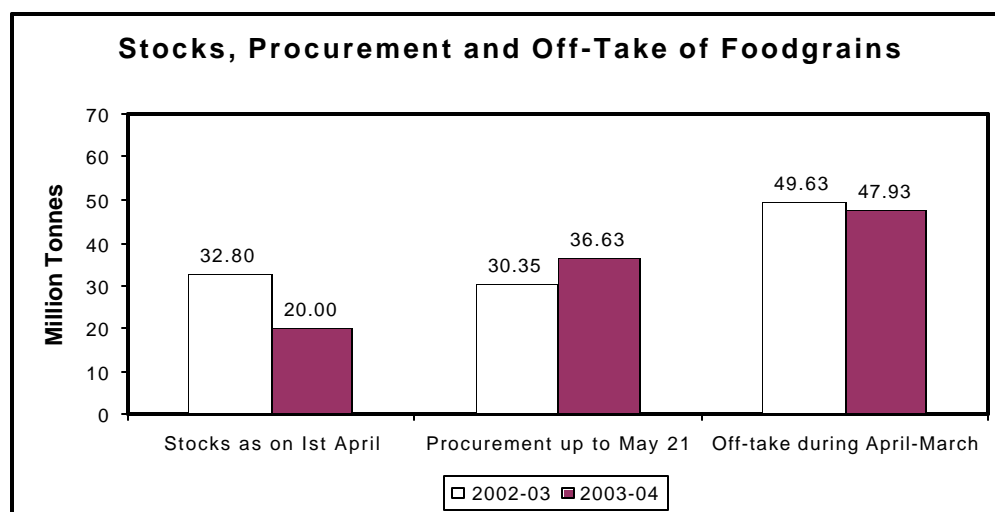
	2000-01(P)	2001-02(P)	2002-03(P)	2003-04(P)
1	2	3	4	5
	Million Tonnes			
Rice	10.42	15.32	24.64	23.74
Wheat	7.79	15.99	24.99	24.19
Total	18.21	31.30	49.63	47.93

Off-take from the Public Distribution System from Central Pool during 2003-04 was 47.93 million tonnes which was lower by 3.43 per cent than the off-take of 49.63 million tonnes during last year.

STOCKS

	As on March 1		As on April 1	
	2002	2003	2003	2004
Million Tonnes				
Rice	17.61	13.58	17.16	13.07
Wheat	18.58	8.57	15.64	6.93
Total	36.19	22.15	32.80	20.00

Stocks of foodgrains as on April 1, 2004 was 20.0 million tonnes which was lower by 39 per cent than the level of 32.8 million tonnes as on April 1, 2003.



INDEX OF INDUSTRIAL PRODUCTION

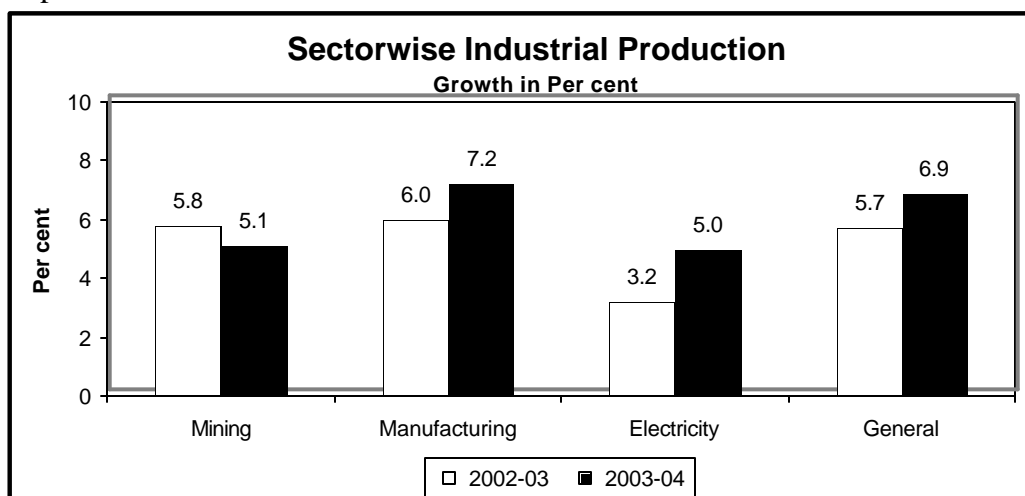
SECTORWISE INDEX OF INDUSTRIAL PRODUCTION

(Base: 1993-94=100)

	2001-02	2002-03	Mar.'03	Mar.'04	(Percentage change)	
					April-March	
					2002-03	2003-04
General	2.7	5.7	5.9	6.7	5.7	6.9
Mining	1.2	5.8	7.6	3.8	5.8	5.1
Manufacturing	2.9	6	6.4	6.7	6.0	7.2
Electricity	3.1	3.2	-0.6	10.1	3.2	5.0
Use-Based Classification						
Basic goods	2.6	4.9	4.6	5.7	4.9	5.4
Capital goods	-3.4	10.5	10.4	17.0	10.5	12.7
Intermediate goods	1.5	3.9	8.0	4.5	3.9	6.2
Consumer goods	6.0	7.1	3.9	6.2	7.1	7.1
Of which						
Consumer durables	11.5	-6.3	-12.2	20.3	-6.3	11.6
Consumer non-durables	4.1	12.0	9.3	2.4	12.0	5.7

The overall growth rate of Industrial production during 2003-04 was 6.9 percent as compared to 5.7 percent in 2002-03. The growth in mining, manufacturing and electricity during 2003-04 was 5.1 percent, 7.2 percent and 5.0 percent, respectively as compared to 5.8 percent, 6.0 percent and 3.2 percent, respectively during 2002-03.

As per the use-based classification, production in basic goods, capital goods and intermediate goods registered higher growth and consumer goods remained stagnant at 7.1 percent.



INFRASTRUCTURE INDUSTRIES

PRODUCTION IN INFRASTRUCTURE INDUSTRIES							
Industry/Infrastructure	Unit	Mar-03	Mar-04	Full Year		% Change	
				2002-03	2003-04	2002-03	2003-04
Coal	Mn tons	35.1	37.3	337.4	354.7	4.6	5.1
Electricity Generation	Mn kw	46334	51040	531594	558134	3.2	5.0
Hydel	Mn kw	4506	5780	63833	73796	-13.7	15.6
Thermal (including nuclear)	Mn kw	41828	45260	467761	484338	6.2	3.5
Crude petroleum	000 tons	2831	2888	33044	33384	3.2	1.0
Petroleum Products	000 tons	9410	10292	104680	113241	4.9	8.2
Finished steel	000 tons	3204.1	3386.7	34528.2	36925.1	10.1	6.9
Cement	000 tons	11294	11780	116348	123440	8.8	6.1
Average growth rate*	(%)	4.0	7.1	5.6	5.4	5.6	5.4
Cargo handled at major ports	Mn tons	28.70	33.67	313.53	344.52	9.0	9.9
Telecommunications							
a) Net switching capacity	000 limes	1214.15	1013.12	4477.63	1817.66	35.6	-59.4
b) Net Tele. Connections	000 nos	907.22	950.04	3399.44	7804.86	-39.8	129.6
Revenue earning							
goods traffic on railways	Mn tons	49.27	53.69	518.48	557.39	5.3	7.5

* 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 decline in growth during 2003-04 as compared to 2002-03. During 2003-04, the average growth rate was 5.4 per cent as compared to 5.6 percent in 2002-03.

REVENUE EARNING GOODS TRAFFIC ON RAILWAYS						
	March		Full Year		Percentage Change	
	2003	2004	2002-03	2003-04	March, 04	2003-04
Commodities						
Coal	22.44	24.03	235.85	251.66	7.1	6.7
Raw material for Steel Plants.	3.78	4.08	40.99	43.94	7.9	7.2
Pig Iron & Finished Steel From Steel Plants	1.39	1.30	13.63	14.34	-6.5	5.2
Iron Ore for Exports	2.13	3.11	16.66	26.66	46.0	60.0
Cement	4.60	5.13	46.25	49.52	11.5	7.1
Foodgrains	4.18	4.19	45.60	45.43	0.2	-0.4
Fertilizers	1.66	1.81	26.46	25.83	9.2	-2.4
POL	2.71	2.92	34.05	32.02	7.7	-6.0
Balance other goods	6.38	7.12	59.25	67.99	11.6	14.8
Total	49.27	53.69	518.74	557.39	9.0	7.5

The revenue earning goods traffic handled by Railways during 2003-04 increased by 7.5 per cent as compared to 5.3 per cent in 2002-03.

MONEY AND BANKING

Items	Outstanding as on (Rs. crore)		% Variations			
			Financial year so far		Year-on-year	
	March 31, 2004	April 30, 2004	2002-03	2003-04	2003	2004
M3(I+II+III+IV)	2000349	2066583	3.5	3.4	11.8	16.1
I. Currency with the public	316758	329963	4.9	4.2	11.4	15.9
II. Demand deposits with banks	251371	256714	2.7	2.1	12.3	26.3
III. Time deposits with banks	1427179	1476233	3.4	3.4	11.8	14.5
IV. Other deposits with RBI	5041	3673	-8.8	-27.1	33.7	24.2
Sources (1+2+3+4-5)						
1. Net bank credit to Govt. (A+B)	744616	747142	5.2	0.3	14.3	5.3
A. RBI's net credit to Govt.	47555	13361	7.3	-71.9	-19.6	-89.7
B. Other bank credit to Govt.	697061	733781	4.8	5.3	26.3	26.5
2. Bank credit to commercial sector	1011074	1037136	0.3	2.6	10.0	15.9
3. Net foreign exchange assets of banking sector	515304	550900	2.3	6.9	26.1	36.7
4. Government's currency liabilities to the public	7291	7291	0.5	0.0	11.3	2.6
5. Banking sector's non-monetary liabilities other than time deposits	277935	275886	-5.5	-0.7	39.6	17.7

During the current financial year 2003-04, broad money stock (M3) (up to April 30, 2004) increased by 3.4 per cent as compared with the growth rate of 3.5 per cent registered during the

corresponding period of the last year. The year-on-year growth as on April 30, 2004 was 16.1 per cent as compared with 11.8 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 April 30, 2004 these assets have grown by 6.9 per cent as compared with 2.3 per cent same period of last year. The annual growth of NFA as on April 30, 2004 was 36.7 per cent, which is much higher than the growth rate of 26.1 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	April 30, 2004	2002-03	2003-04	2003	2004
1. Bank credit	835382	865081	0.4	3.6	13.8	18.2
Food credit	35961	42998	0.9	19.6	-12.4	-13.9
Non-Food credit	799420	822083	0.3	2.8	16.4	20.5
2. Aggregate deposit	1501931	1550387	3.3	3.2	12.2	17.1
Demand deposit	221949	226510	3.2	2.1	12.8	28.9
Time deposits	1279981	1323877	3.4	3.4	12.1	15.3
3. Investments in Govt. and other approved securities	679656	715732	4.6	5.3	24.9	25.0
Government securities	653244	689158	4.8	5.5	27.0	25.7
Other approved securities	26412	26574	0.7	0.6	-8.9	9.4

During the current financial year (up to April 30, 2004) incremental gross bank credit amounted to Rs. 29699 crore (an increase of 3.6 per cent) as compared with Rs. 2702 crore (an increase of 0.4 per cent) in the previous year. The year-on-year growth of gross bank credit as on April 30, 2004 was 18.2 per cent as against 13.8 per cent on the corresponding date of last year.

Non-Food credit during this period registered a growth of 2.8 per cent as compared with 0.3 per cent during the same period of the last year. The annual growth rate was 20.5 per cent as compared with 16.4 per cent on the corresponding date of last year.

The year-on-year growth of time deposits with banks as on April 30, 2004 was higher at 15.3 per cent as compared with 12.1 per cent on the corresponding date of last year.

INTEREST RATES (PER CENT PER ANNUM)

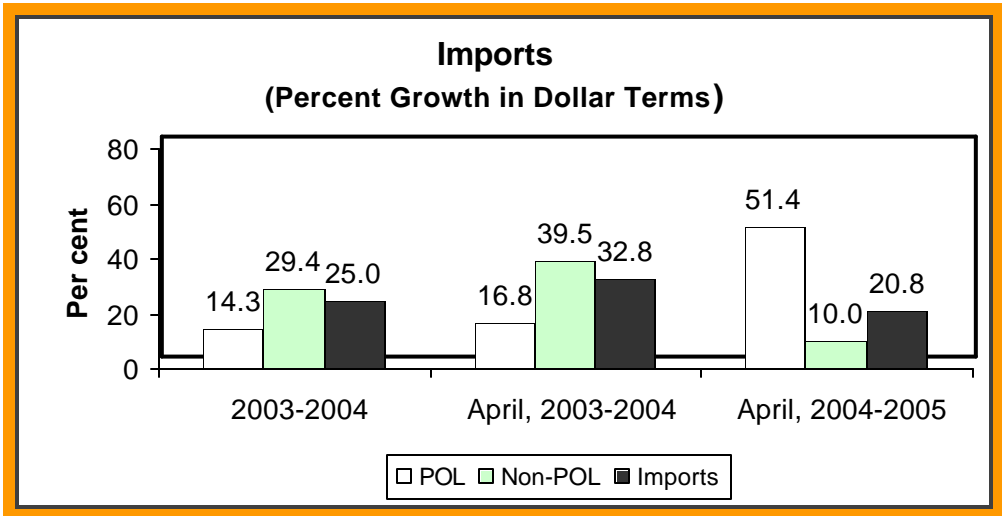
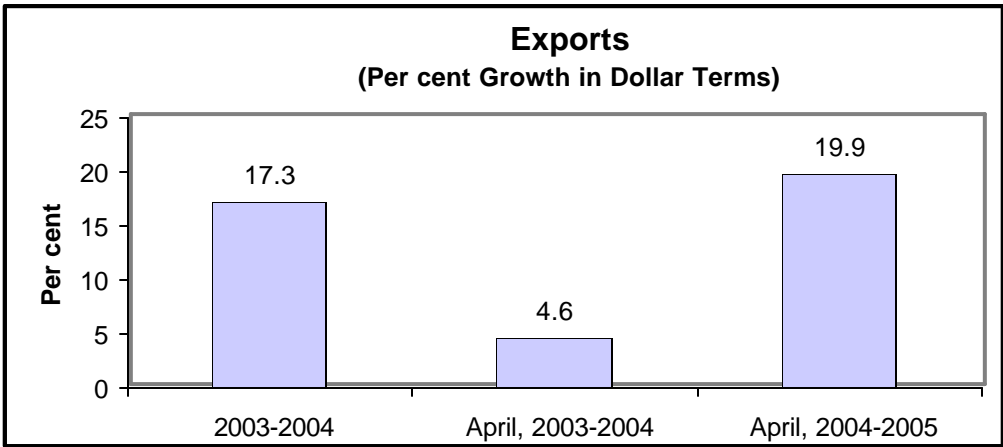
Item/week ended	2003	2004
	May 9	May 7
1	2	3
Bank Rate	6.00	6.00
IDBI ¹	12.50	10.25
Prime Lending Rate ²	10.50-11.50	10.25-11.00
Deposit Rate ³	5.25-6.00	5.00-5.50
Call Money Rate ⁴ (Low/High)		
Borrowings	2.50/5.10	2.00/4.70
Lending	2.00/5.10	2.00/4.50

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 May 7, 2004 Bank Rate was 6.00 per cent same as on the corresponding date of last year. Call money rates were lower in the range of 2.00/4.70 as compared with 2.50/5.10 per cent on the corresponding date of last year.

FOREIGN TRADE						
Item	2002-03 @	2003-04	April		% Change	
			2003-04	2004-05	2003-04	2004-05
Rs. Crore						
Exports	255137	283604	19788	22010	1.3	11.2
Imports	291133	346474	24467	29642	28.6	12.0
POL	85409	92685	6890	9671	13.1	40.4
Non-POL	205724	253789	19577	19971	35.1	2.0
Trade Balance	-35995.9	-62870	-6678	-7633	-	-
Million Dollars						
Item						
Exports	52742	61845	4177	5010	4.6	19.9
Imports	60189	75209	5586	6747	32.8	20.8
POL	17648	20170	1454	2201	16.8	51.4
Non-POL	42540	55039	4132	4546	39.5	10.0
Trade Balance	-8693	-13364	-1410	-1737	-	-
(R) : Revised						

Exports in dollar terms during April, 2004 increased by 19.9 percent as compared to an increase of 4.6 percent during April, 2003. Imports increased by 20.8 percent during April, 2004 as against an increase of 32.8 percent last year.



FOREIGN EXCHANGE RESERVES

At the end of	Amount		Variation	
	Rs.Crore	\$ Million	Rs.Crore	\$ Million
			(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
2003-2004			(over last month)	
April*	501429	113011	35214	5563
May				
June				
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	
	2002-03	2003-04	2002-03	2003-04	2002-03	2003-04
Loans - Govt A/C	11805	13322	24286	25444	4570	3202
Grants - Govt A/C	1736	1959	-	-	-	-
Total	13541	15281	24286	25444	4570	3202
Non-Govt. loans	2194	3006	4690	1908	833	1013
Grants Non-Govt	101	97	-	-	-	-
Grand Total	15836	18384	28976	27352	5403	4215
	(3272)	(4001)	(5987)	(5952)	(1116)	(917)
Net Flows	-13140	-8968	-	-	-	-
(net of repayment)						
Net Transfers						
(net of repayment and interest payments)	-18544	-13183	-	-	-	-

* April - March

Note: Figures in brackets are in terms of million US \$

Gross external aid during 2003-04 at Rs 18384 crore was 16.1 percent higher than that of Rs 15836 crore during the same period last year. Net Aid flows (net of repayment) were Rs. (-) 8968 crore as compared with Rs. (-) 13140 crore during the same period last year. Net Aid Transfers (net of repayment and interest payment) were Rs. (-) 13183 crore as compared with Rs. (-)18544 crore during the same period 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				
June				
July				
August				
September				
October				
November				
December				
January				
February				
March				
@ FEDAI Rates				

The average market exchange rate of the Rupee during April 2004 appreciated against US Dollar, Pound Sterling, Japanese Yen and Euro as compared with average market exchange rate of the Rupee during March, 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	Last year	Current year
All Commodities	100.00	0.52	0.33	6.76	4.20
1.Primary articles	22.03	0.89	0.38	7.04	1.60
2. fuel,Power,Light and Libricants	14.23	-2.62	0.19	8.29	5.89
3. Manufactured Products	63.75	1.51	0.37	6.04	4.73

The annual rate of inflation based on Wholesale Price Index (WPI) stood at 4.20 per cent for week ended May 8, 2004 compared with 6.76 per cent a year ago. This rate was contributed by an increase of 1.60 per cent in Primary Articles, 5.89 per cent increase in Fuel, Power, Lights and Lubricants and 4.73 per cent increases in Manufactured Products as against an increase of 7.04 per cent, 8.29 per cent and 6.04 per cent respectively on the corresponding date of last year.

CONSUMER PRICE INDEX

CONSUMER PRICE INDEX AND INFLATION RATE (%)		
	2002-03	2003-04
Annual Inflation	4.1	3.5
Financial Year Inflation	4.1	3.5
% Change over last year	0.6	0.0
Level of Index	487	504
Average of Index for 12 months ending March	481.75	500.33

All India Consumer Price Index for Industrial Workers (CPI-IW) for March 2004 was 504 which was the same as was for the previous month level and was 3.5 percent higher than the level of March 2003.

PUBLIC FINANCE

TRENDS IN CENTRAL GOVERNMENT FINANCE: April-February 2004						
1	Budget Estimates	April-February		Col 4 as % of BE 03-04	% change over	
	2003-04	2002-03	2003-04	5	2002-03	2003-04
	2	3	4	5	6	7
1. Revenue Receipts	253935	184847	208435	82.1	13.1	12.8
Tax (net to Centre)	184169	124690	143516	77.9	19.1	15.1
Non Tax	69766	60157	64919	93.1	2.3	7.9
2. Capital Receipts	184860	142752	175361	94.9	7.6	22.8
of which						
Recovery of Loans	18023	24631	63297	351.2		
Other Receipts	13200	3128	1594	12.1	-	-
Borrowing and other Liabilities	153637	114993	110470	71.9	-1.0	-3.9
3. Total Receipts (1+2)	438795	327599	383796	87.5	10.6	17.2
4. Non Plan Expenditure	317821	239532	288096	90.6	10.2	20.3
(a) Revenue Account	289384	226306	240573	83.1	11.0	6.3
Of which:						
Interest payments	123223	102439	102055	82.8	9.1	-0.4
(b) Capital Account	28437	13226	47523	167.1	-3.1	259.3
5. Plan Expenditure [(I)+(ii)]	120974	88067	95700	79.1	12.0	8.7
(I) Revenue Account	76843	53734	61230	79.7	7.9	14.0
(ii) Capital Account	44131	34333	34470	78.1	19.1	0.4
6. Total Expenditure [4+5=(a)+(b)]	438795	327599	383796	87.5	10.6	17.2
(a) Revenue Expenditure	366227	280040	301803	82.4	10.4	7.8
(b) Capital Expenditure	72568	47559	81993	113.0	12.0	72.4
7. Revenue Deficit	112292	95193	93368	83.1	5.6	-1.9
8. Fiscal Deficit	153637	114993	110470	71.9	-1.0	-3.9
9. Primary Deficit	30414	12554	8415	27.7	-43.6	-33.0

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

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

(ii) Un-audited.

During April-February 2003-04 revenue receipts grew at 12.8 percent as compared with 13.1 percent in the same period last year. Fiscal Deficit declined by 3.9 percent as compared with 1.0 percent last year. However, as percent of BE, Fiscal Deficit was lower at 71.9 percent as compared with 84.9 percent last year.