

Ministry of Finance
Department of Economic Affairs
Economic Division
8(2)/Ec. Dn./2005

MONTHLY ECONOMIC REPORT
MAY, 2005

HIGHLIGHTS

- The pre-monsoon season rainfall from March 1, 2005 to May 25, 2005 was normal/excess in 61 per cent meteorological sub-divisions.
- Food grain stocks were 17.41 million tonnes as on April 1, 2005
- Overall industrial growth was 8.0 per cent in 2004-05 as compared with 7.0 per cent in 2003-04.
- Core infrastructure sectors achieved an average growth rate of 3.6 per cent during April, 2005 as compared with 10.5 per cent in April, 2004.
- Broad Money (M3) growth (year-on-year) was 14.1 per cent (net of conversion, 13.9 per cent) as on May 13, 2005 as compared with 15.8 per cent last year.
- Exports grew by 17.2 per cent in dollar terms during April, 2005 as compared with 34.2 per cent in corresponding month last year. Imports grew by 51.1 per cent in April, 2005 as compared with 23.5 per cent in April, 2004.
- Forex reserves (excluding Gold and SDRs) stood at \$135.95 billion at the end of April, 2005.
- Rupee appreciated against Pound Sterling, Euro and Japanese Yen and depreciated against US Dollar in April, 2005.
- The annual inflation rate in terms of WPI (Base 1993-94=100) was 5.55 per cent for the week ended May 14, 2005 as compared with 4.96 per cent a year ago.
- Tax revenue (net to Centre) in April-February, 2004-05 (provisional) was higher by 17.3 per cent over April-February, 2003-04.
- Fiscal deficit in April-February, 2004-05 was 84.1 per cent of BE compared with 71.9 per cent of BE in the corresponding period last year.
- Revenue deficit April-February 2004-05 was higher at 121.7 per cent of BE compared with 83.1 per cent in the corresponding previous period.

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Adviser

AGRICULTURE

PRE-MONSOON SEASON RAINFALL*

The pre-monsoon season rainfall from March 1, 2005 to May 25, 2005 was normal/excess in 22 meteorological sub-divisions (61 per cent) and deficient/scanty in the remaining 14 (39 per cent). The annual average for 2000-2004 was normal/excess in 22 (61 per cent) meteorological sub-divisions and deficient/scanty in the remaining 14 (39 per cent).

Number of Meteorological Sub-divisions							
	2000	2001	2002	2003	2004	2000-2004+	2005
Excess/Normal	25	27	16	14	27	22	22
Deficient/Scanty/Nil	11	9	20	22	9	14	14
Total	36	36	36	36	36	36	36

*(March-May)

+ Annual Average

PROCUREMENT

Wheat procurement up to May 27, 2005 in the current marketing year (i.e. 2005-06) was lower by 11.5 per cent at 14.21 million tonnes compared with 16.06 million tonnes in the corresponding period of 2004-05. Procurement of rice during the marketing year 2004-05 (up to May 27, 2005) at 22.03 million tonnes was higher by 5.3 per cent than the level of 20.92 million tonnes during the corresponding period of 2003-04.

	Full Marketing Year				Up to May 27		% change
	2001-02	2002-03	2003-04	2004-05	2004	2005	Col. 7/Col.6
	Million Tonnes						
1	2	3	4	5	6	7	8
Rice(Oct-Sept.)	21.28	16.41	22.83	-	20.92	22.03	5.3
Wheat(Apr-Mar)	20.63	19.06	15.80	16.80	16.06	14.21	-11.5
Total	41.91	35.47	38.63	16.80	36.98	36.24	-2.0

OFF-TAKE

Off-take from the Public Distribution System from Central Pool in 2004-05 was 41.25 million tonnes which was lower by 16.4 per cent than the off-take of 49.33 million tonnes in 2003-04.

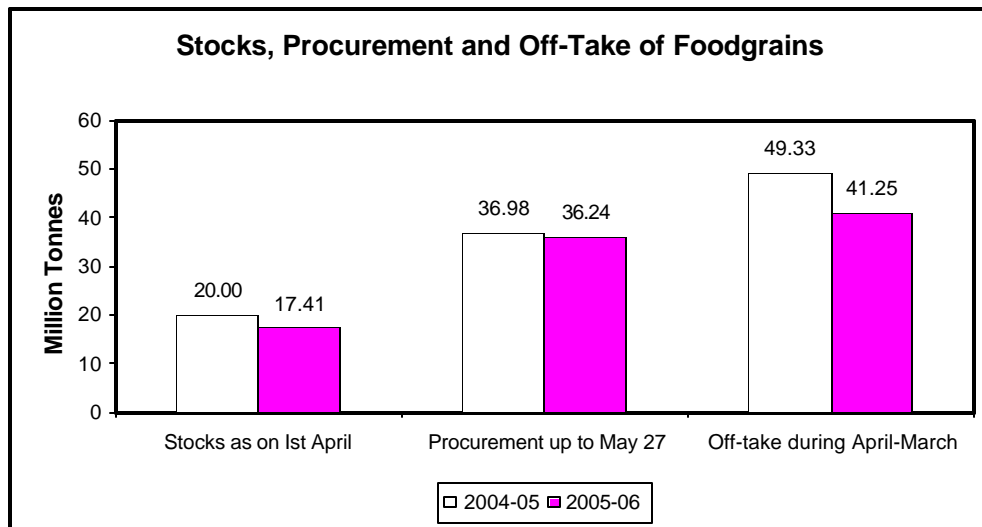
	2001-02(P)	2002-03(P)	2003-04(P)	2004-05(P)
1	2	3	4	5
Rice	15.32	24.64	25.04	22.98
Wheat	15.99	24.99	24.29	18.27
Total	31.30	49.63	49.33	41.25

P : Provisional

STOCKS

Stocks of foodgrains as on April 1, 2005 was 17.41 million tonnes, which was lower by 13.0 per cent than the level of 20.00 million tonnes as on April 1, 2004.

	As on March 1		As on April 1	
	2004	2005	2004	2005
Million Tonnes				
Rice	13.58	13.66	13.07	13.34
Wheat	8.57	5.75	6.93	4.07
Total	22.15	19.41	20.00	17.41

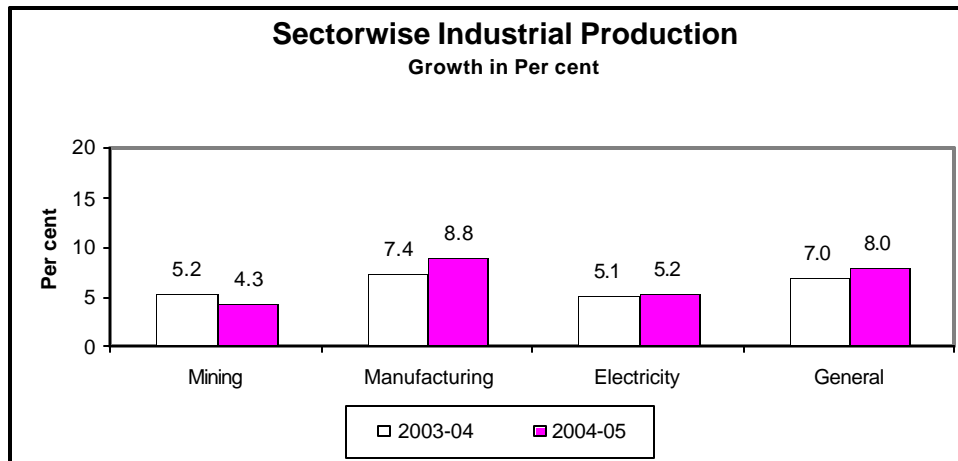


INDEX OF INDUSTRIAL PRODUCTION

The overall growth rate of industrial production in 2004-05 was 8.0 percent as compared to 7.0 percent in 2003-04. The growth rates achieved by the mining, manufacturing and electricity sectors during 2004-05 was 4.3 percent, 8.8 percent and 5.2 percent respectively as compared to 5.2 percent, 7.4 percent and 5.1 percent respectively during 2003-04.

As per the use-based classification in 2004-05, production in basic goods and consumer goods registered higher growth and capital goods and intermediate goods showed lower growths compared to 2003-04.

SECTORWISE INDEX OF INDUSTRIAL PRODUCTION						
(Base: 1993-94=100)						
	2003-04	2004-05	Mar. '04	Mar. '05	(Percentage change)	
					April-Mar.	
					2003-04	2004-05
General	7.0	8.0	8.1	7.2	7.0	8.0
Mining	5.2	4.3	5.1	5.6	5.2	4.3
Manufacturing	7.4	8.8	8.1	7.8	7.4	8.8
Electricity	5.1	5.2	10.6	3.0	5.1	5.2
Use-Based Classification						
Basic goods	5.4	5.5	6.4	6.9	5.4	5.5
Capital goods	13.6	12.6	25.2	14.2	13.6	12.6
Intermediate goods	6.4	5.8	5.3	4.1	6.4	5.8
Consumer goods	7.1	11.3	6.3	7.5	7.1	11.3
<i>Of which</i>						
Consumer durables	11.6	14.0	23.3	8.2	11.6	14.0
Consumer non-durables	5.8	10.4	1.6	7.2	5.8	10.4



INFRASTRUCTURE

The six core infrastructure industries registered a lower growth of 3.6 per cent during April, 2005 as compared to 10.5 per cent in corresponding month last year.

PRODUCTION IN INFRASTRUCTURE INDUSTRIES								
		April		Full yr.	April		% Change	
							April	
Industry/Infrastructure	Unit	2004	2005	2004-05	2004-05	2005-06	2004-05	2005-06
Coal	Mn tons	28.2	30.5	375.0	28.2	30.5	7.2	8.2
Electricity Generation	Mn kw	48930	50327	587366	48930	50327	10.5	2.9
Hydel	Mn kw	5252	6370	84497	5252	6370	16.9	21.3
Thermal (including nuclear)	Mn kw	43678	43899	502869	43678	43899	9.8	0.5
Crude petroleum	000 tons	2814	2802	33981	2814	2802	9.4	-0.4
Petroleum Products	000 tons	9694	8930	118216	9694	8930	13.3	-7.9
Finished steel	000 tons	3113	3348	38325	3113	3348	9.2	7.5
Cement	000 tons	11140	11910	131559	11140	11910	16.5	6.9
Average growth rate*	(%)	10.5	3.6	4.4	-	-	10.5	3.6
		March			2003-04	2004-05	2003-04	2004-05
Cargo handled at major ports	Mn tons	33.6	38.6		344.8	383.8	10.0	11.3
Telecommunications								
a) Net switching capacity	000 lines	1013.1	1612.8		4482.6	6714.1	0.1	49.8
b) Net Tele. Connections	000 nos	950.0	9.3		8455.5	6962.1	148.8	-17.7
Revenue earning goods traffic on railways	Mn tons	53.7	59.5		557.4	601.9	7.5	8.0

* 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 2004-05 increased by 8.0 per cent as compared to 7.5 per cent during 2003-04.

Commodities					(Million Tonnes)	
	March				%Change	
	2004	2005	2003-04	2004-05	April-Mar, 05	April-Mar, 05
Coal	24.03	26.48	251.66	271.06	10.2	7.7
Raw material for Steel Plants	4.08	4.23	43.94	44.11	3.7	0.4
Pig Iron & Finished Steel From Steel Plants	1.30	1.53	14.34	14.86	17.7	3.6
Iron Ore for Exports	3.11	3.46	26.66	36.33	11.3	36.3
Cement	5.13	5.47	49.52	54.23	6.6	9.5
Foodgrains	4.19	4.48	45.43	46.19	6.9	1.7
Fertilizers	1.81	2.22	25.83	28.36	22.7	9.8
POL	2.92	3.06	32.02	32.40	4.8	1.2
Balance other goods	7.12	8.53	67.99	74.35	19.8	9.4
Total	53.69	59.46	557.39	601.89	10.7	8.0

MONEY AND BANKING

During the current financial year 2005-06, broad money stock (M3) (up to May 13, 2005) increased by 3.6 per cent as compared with the growth rate of 2.6 per cent registered during the corresponding period of the last year. The year-on-year growth as on May 13, 2005 was 14.1 per cent (exclusive of conversion, 13.9 per cent) as compared with 15.8 per cent on the corresponding date of last year.

Net foreign exchange assets (NFA) of banking sector (up to May 13, 2005) registered a decline of 1.6 per cent as compared with a growth of 9.2 per cent in the same period last year. The annual growth rate of NFA, as on May 13, 2005 was 11.6 per cent as against 40.6 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	May 13, 2005	2004-05	2005-06	2004	2005
M3(I+II+III+IV)	2269156	2350372	2.6	3.6	15.8	14.1
	(2265587)	(2346803)				(13.9)
I. Currency with the public	357424	382574	6.7	7.0	14.6	13.6
II. Demand deposits with banks	297088	290513	-5.0	-2.2	23.6	18.5
III. Time deposits with banks	1608161	1673004	3.1	4.0	14.9	13.4
	(1604592)	(1669435)				(13.2)
IV. Other deposits with RBI	6483	4282	-28.1	-34.0	37.8	16.2
Sources (1+2+3+4 -5)						
1. Net bank credit to Govt. (A+B)	762496	771557	1.0	1.2	5.9	2.7
	(750303)	(759364)				(1.1)
A. RBI's net credit to Govt.	-12197	7612	-121.2	-72.2	-105.6	20.8
B. Other bank credit to Govt.	774694	763945	6.2	-1.4	27.4	2.9
2. Bank credit to commercial sector	1275027	1319852	2.0	3.5	15.5	26.8
	(1242345)	(1287170)				(23.7)
3. Net foreign exchange assets of banking sector	651998	641784	9.2	-1.6	40.6	11.6
4. Government's currency liabilities to the public	7436	7436	0.2	-	2.9	1.7
5. Banking sector's net non-monetary liabilities other than time deposits	427801	390258	8.3	-8.8	26.7	24.5

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 May 13, 2005) incremental gross bank credit increased by 4.1 per cent (exclusive of conversion, 4.3 per cent) as compared with a growth of 2.6 per cent in the same period of the previous year. The year-on-year growth of gross bank credit as on May 13, 2005 was 31.8 per cent (exclusive of conversion, 28.0 per cent) as against 18.1 per cent on the corresponding date of last year.

Non-Food credit during the financial year so far, registered a growth of 4.0 per cent (exclusive of conversion, 4.1 per cent) as compared with 1.9 per cent during the same

period of the last year. The year-on-year growth rate was 33.2 per cent (exclusive of conversion, 29.2 per cent) as compared with 20.5 per cent on the corresponding date of last year.

The year-on-year growth of time deposits with SCBs as on May 13, 2005 was 14.7 per cent (exclusive of conversion, 14.4 per cent) as compared with 15.5 per cent on the corresponding date of last year.

Items	Outstanding as on (Rs. crore)		% Variations			
			Financial year so far		Year-on-year	
	March 18, 2005	May 13, 2005	2004-05	2005-06	2004	2005
1. Bank credit	1092091	1137131	2.6	4.1	18.1	31.8
	(1059409)	(1104449)		(4.3)		(28.0)
Food credit	41121	44371	17.4	7.9	-14.3	5.1
Non-Food credit	1050970	1092760	1.9	4.0	20.5	33.2
	(1018288)	(1060078)		(4.1)		(29.2)
2. Aggregate deposit	1719948	1777964	2.5	3.4	16.8	15.3
		(1774396)		(3.4)		(15.1)
Demand deposit	263817	257241	-4.4	-2.5	25.9	19.6
Time deposits	1456131	1520723	3.7	4.4	15.5	14.7
		(1517155)		(4.4)		(14.4)
3. Investments in Govt. and other approved securities	743062	731882	5.5	-1.5	25.1	2.4
		(719689)		(-1.5)		(0.7)
Government securities	717791	706986	5.7	-1.5	26.5	2.1
		(694793)		(-1.5)		(0.4)
Other approved securities	25271	24896	-0.6	-1.5	-6.9	9.8

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 May 13, 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 3.50/5.30 as compared with 2.50/4.60 per cent on the corresponding date of last year.

Item/week ended	2004	2005
	May 14	May 13
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	2.50/4.60	3.50/5.30
Lending	2.50/4.95	3.50/5.30

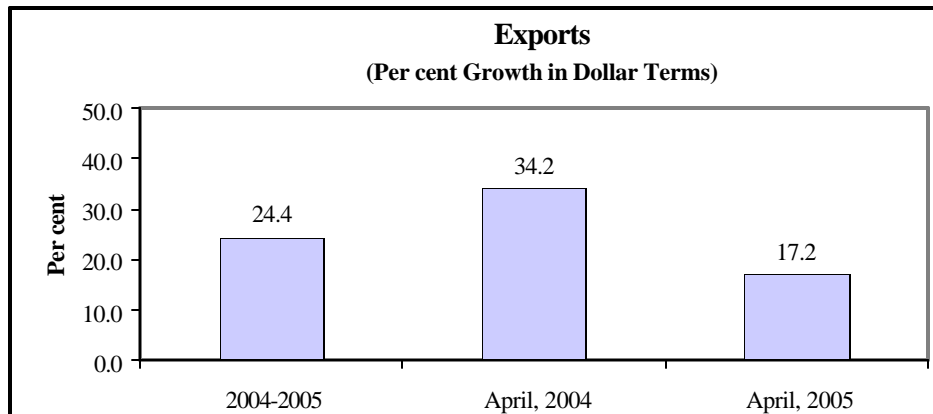
1. Minimum Term Lending Rate (MTLR)
2. Prime Lending Rate relates to five major Banks
3. Deposit Rate relates to major banks for term deposits of more than one year maturity.
4. Call money rates are based on data covering 90-95 per cent of total transactions reported by major participants.

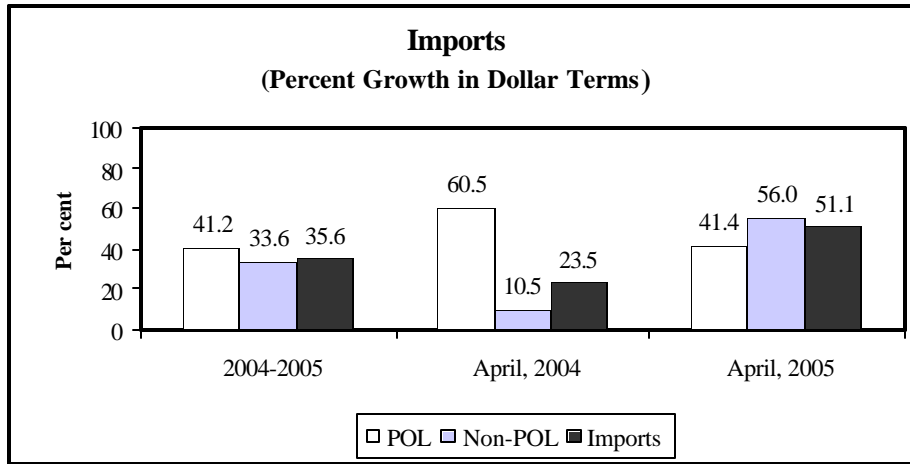
FOREIGN TRADE

Exports in dollar terms in April, 2005 increased by 17.2 percent as compared to an increase of 34.2 percent in April, 2004. Imports increased by 51.1 percent in April, 2005 as against an increase of 23.5 percent in corresponding month last year.

Item			April		% Change	
	2003-04(PR)	2004-05 (P)	2004-05	2005-06	2004-05	2005-06
Rs. Crore						
Exports	293367	357077	24619	28729	24.4	16.7
Imports	359108	476202	30313	45589	14.5	50.4
POL	94657	130683	10254	14433	48.8	40.8
Non-POL	264451	345519	20059	31156	2.5	55.3
Trade Balance	-65741	-119125	-5694	-16860	-	-
Million Dollars						
Exports	63979	79594	5604	6568	34.2	17.2
Imports	78251	106121	6900	10423	23.5	51.1
POL	20599	29085	2334	3300	60.5	41.4
Non-POL	57652	77036	4566	7123	10.5	56.0
Trade Balance	-14272	-26528	-1296	-3855	-	-

(PR) : Partially Revised (P) Provisional





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

* Provisional

EXTERNAL ASSISTANCE AND DEBT SERVICE PAYMENTS

Gross external aid during April, 2005 at Rs 499.51 crore was 21.2 percent higher than that of Rs 412.07 crore in April, 2004. Net Aid flows were Rs. 239.55 crore as compared with Rs. 83.98 crore during same month last year and Net Aid Transfers were Rs. 173.16 crore as compared with Rs. (-) 15.11 crore during same month last year.

EXTERNAL ASSISTANCE AND DBT 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	236.38	211.19	272.81	254.86	85.46	59.69
External Assistance – Non-Govt A/C	72.11	24.92	55.28	5.10	13.63	6.70
Govt. Grant	102.16	262.98	-	-	-	-
Non-Govt Grant	1.42	0.42	-	-	-	-
Grand Total	412.07	499.51	328.09	259.96	99.09	66.39
Net Disbursement	83.98	239.55	-	-	-	-
Net Transfers	-15.11	173.16				

* April

Rupees Per Unit of foreign Currency

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

	(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

INFLATION

The annual rate of inflation based on Wholesale Price Index (WPI) stood at 5.55 per cent for week ended May 14, 2005 compared with 4.96 per cent a year ago. This rate was contributed by an increase of 1.23 per cent in Primary Articles, 11.14 per cent increase in Fuel, Power, Lights and Lubricants and 5.18 per cent increase in Manufactured Products as against an increase of 3.21 per cent, 7.10 per cent and 4.92 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 14-5-2005)	
		Last year	Current year	Last year	Current year
All Commodities	100.00	0.55	0.47	4.96	5.55
1.Primary articles	22.03	1.69	0.96	3.21	1.23
2. Fuel, Power, Light and Lubricants	14.23	0.27	0.20	7.10	11.14
3. Manufactured Products	63.75	0.25	0.35	4.92	5.18

CONSUMER PRICE INDEX

All India Consumer Price Index for Industrial Workers (CPI-IW) for March, 2005 which stood at 525, remained stable over previous month's level and increased by 4.2 per cent over March, 2004.

CONSUMER PRICE INDEX AND INFLATION RATE (%)		
	2003-04 (Up to Mar., 2004)	2004-05 (Up to Mar., 2005)
Annual Inflation	3.5	4.2
Financial Year Inflation	3.5	4.2
% Change over last month	0.0	0.0
Level of Index	504	525
Average of Index for 12 months ending March	500.33	519.50

PUBLIC FINANCE

Trends in Central Government Finances : April-February 2005

	Budget Estimates 2004-05	April-February		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	208435	229005	82.1	74.0	12.8	9.9
Gross tax revenue	317733	197435	233329	78.5	73.4	13.0	18.2
Tax (net to Centre)	233906	143516	168407	77.9	72.0	15.1	17.3
Non Tax	75416	64919	60598	93.1	80.4	7.9	-6.7
2. Capital Receipts	168507	175361	176201	94.9	104.6	22.8	0.5
of which:							
Recovery of loans	27100	63297	57789	351.2	213.2	157.0	-8.7
Other Receipts	4000	1594	2914	12.1	72.9	--	82.8
Borrowings and other liabilities	137407	110470	115498	71.9	84.1	-3.9	4.6
3. Total Receipts (1+2)	477829	383796	405206	87.5	84.8	17.2	5.6
4. Non-Plan Expenditure (a)+(b)	332239	288096	300849	90.6	90.6	20.3	4.4
(a) Revenue Account	293650	240573	253097	83.1	86.2	6.3	5.2
<i>Of which:</i>							
Interest payments	129500	102055	108615	82.8	83.9	-0.4	6.4
Major Subsidies	42021	41471	39429	85.3	93.8	20.2	-4.9
Pensions	15928	14243	16054	92.1	100.8	19.2	12.7
(b) Capital Account	38589	47523	47752	167.1	123.7	259.3	0.5
5. Plan Expenditure (i)+(ii)	145590	95700	104357	79.1	71.7	8.7	9.0
(i) Revenue Account	91843	61230	68582	79.7	74.7	14.0	12.0
(ii) Capital Account	53747	34470	35775	78.1	66.6	0.4	3.8
6. Total Expenditure (4)+(5)=(a)+(b)	477829	383796	405206	87.5	84.8	17.2	5.6
(a) Revenue Expenditure	385493	301803	321679	82.4	83.4	7.8	6.6
(b) Capital Expenditure	92336	81993	83527	113.0	90.5	72.4	1.9
7. Revenue Deficit	76171	93368	92674	83.1	121.7	-1.9	-0.7
8. Fiscal Deficit	137407	110470	115498	71.9	84.1	-3.9	4.6
9. Primary Deficit	7907	8415	6883	27.7	87.0	-33.0	-18.2

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

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

(ii) Un-audited.

