

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

**MONTHLY ECONOMIC REPORT
OCTOBER, 2004**

HIGHLIGHTS

- The Seasonal rainfall from June 1, 2004 to September 30, 2004 was normal/excess in 64 per cent meteorological sub-divisions.
- Foodgrain stocks were 22.92 million tonnes as on September 1, 2004
- Overall industrial growth was 7.9 per cent in April-August, 2004 as compared with 5.9 per cent in April-August, 2003.
- Core infrastructure sectors achieved an average growth rate of 5.7 per cent in April-September, 2004 as compared with 5.4 per cent in April-September, 2003.
- Broad Money (M3) growth (year-on-year) was 14.5 per cent as on October 15, 2004 as compared with 11.7 per cent last year.
- Exports grew by 24.4 per cent in dollar terms in April-September, 2004 as compared with 8.8 per cent in the corresponding period last year. Imports grew by 34.3 per cent during April-September, 2004 as compared with 21.4 per cent last year.
- Forex reserves (excluding Gold and SDRs) stood at \$ 115.65 billion as on October 31, 2004.
- Rupee appreciated against US Dollar, Pound Sterling, Japanese Yen and Euro in September, 2004.
- The annual inflation rate in terms of WPI (Base 1993-94=100) was 7.10 per cent for the week ended October 16, 2004 as compared with 5.13 per cent a year ago.
- Tax revenue (net to Centre) in April-September 2004 (provisional) was higher by 19.7 per cent over April-September 2003.
- Fiscal deficit in April-September 2004 is 38.7 per cent of BE compared with 52.7 per cent of BE in the corresponding period last year.
- Revenue deficit is higher at 78.7 per cent of BE compared with 58.3 per cent in the corresponding previous period.

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

AGRICULTURE

SEASONAL RAINFALL*

The seasonal rainfall from June 1, 2004 to September 30, 2004 was normal/excess in 23 meteorological sub-divisions (64 per cent) and deficient/scanty in the remaining 13 (36 per cent). The annual average for 1999-2003 was normal/excess in 26 (73 per cent) meteorological sub-divisions and deficient/scanty in the remaining 10 (27 per cent).

Number of Meteorological Sub-divisions

	1999	2000	2001	2002	2003	1999-2003+	2004
Excess/Normal	28	26	29	15	33	26	23
Deficient/Scanty/Nil	8	10	7	21	3	10	13
Total	36	36	36	36	36	36	36

* (June-September)

+ Annual Average

PROCUREMENT

Wheat procurement up to October 27, 2004 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 October 27, 2004) at 7.11 million tonnes was higher by 2.9 per cent than the level of 6.91 million tonnes during the corresponding period of 2003-04.

	Full Marketing Year				Up to Oct. 27		% 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	22.83	6.91	7.11	2.9
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	22.71	23.91	5.3

OFF-TAKE

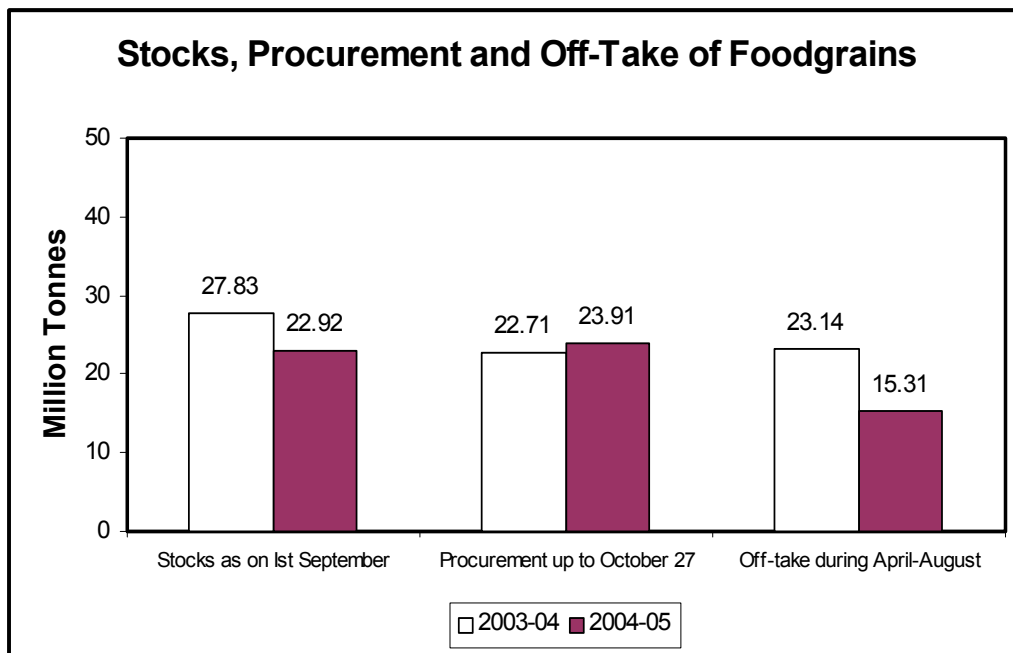
Off-take from the Public Distribution System from Central Pool during April-August, 2004 was 15.31 million tonnes which was lower by 33.8 per cent than the off-take of 23.14 million tonnes during the corresponding period of last year.

	2001-02(P)	2002-03(P)	2003-04(P)	April-August	
				2003-04(P)	2004-05(P)
1	2	3	4	5	6
	Million Tonnes				
Rice	15.32	24.64	25.04	12.17	8.60
Wheat	15.99	24.99	24.29	10.97	6.71
Total	31.30	49.63	49.33	23.14	15.31

STOCKS

Stocks of foodgrains as on September 1, 2004 was 22.92 million tonnes which was lower by 17.6 per cent than the level of 27.83 million tonnes as on September 1, 2003.

	As on August 1		As on September 1	
	2003	2004	2003	2004
	Million Tonnes			
Rice	8.07	9.11	7.12	7.15
Wheat	22.43	17.43	20.71	15.77
Total	30.50	26.54	27.83	22.92

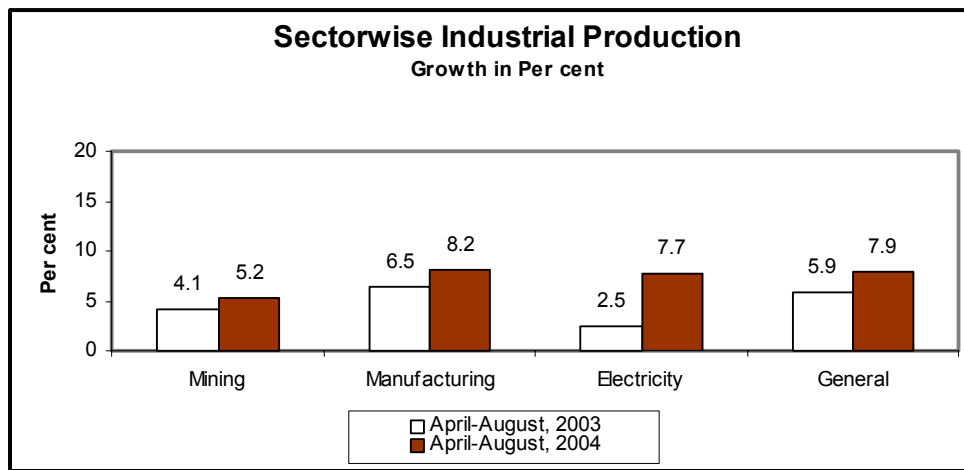


INDEX OF INDUSTRIAL PRODUCTION

The overall growth rate of Industrial production during April-August, 2004 was 7.9 percent as compared to 5.9 percent during April-August, 2003. The growth in mining, manufacturing and electricity during April-August, 2004 was 5.2 percent, 8.2 percent and 7.7 percent as compared to 4.1 percent, 6.5 percent and 2.5 percent respectively, during April-August, 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.

SECTORWISE INDEX OF INDUSTRIAL PRODUCTION						
(Base: 1993-94=100)						
(Percentage change)						
	2002-03	2003-04	Aug. '03	Aug. '04	April-August	
					2003-04	2004-05
General	5.7	6.9	5.7	7.9	5.9	7.9
Mining	5.8	5.2	1.3	4.7	4.1	5.2
Manufacturing	6.0	7.3	6.7	8.2	6.5	8.2
Electricity	3.2	5.1	1.2	7.1	2.5	7.7
Use-Based Classification						
Basic goods	4.9	5.4	3.1	5.2	4.0	4.9
Capital goods	10.5	13.1	9.5	15.4	9.3	14.3
Intermediate goods	3.9	6.3	5.9	5.5	4.4	8.8
Consumer goods	7.1	7.1	7.3	10.7	8.5	8.4
<i>Of which</i>						
Consumer durables	-6.3	11.5	7.6	13.9	5.6	13.0
Consumer non-durables	12.0	5.7	7.3	9.6	9.4	6.8



INFRASTRUCTURE

The six core infrastructure industries registered a higher growth of 5.7 per cent during April-September, 2004 as compared to 5.4 per cent in the corresponding period of last year.

PRODUCTION IN INFRASTRUCTURE INDUSTRIES								
		Sept.		FullYr.	April-Sept.		% Change	
							April-Sept.	
Industry/Infrastructure	Unit	2003	2004	2003-04	2003-04	2004-05	2003-04	2004-05
Coal	Mn tons	25.8	28.6	354.7	157.4	167.8	4.1	6.6
Electricity Generation	Mn kw	45571	49008	558134	269911	291079	3.0	7.8
Hydel	Mn kw	7759	9218	73796	38788	47717	2.8	23.0
Thermal (including nuclear)	Mn kw	37812	39790	484338	231123	243362	3.0	5.3
Crude petroleum	000 tons	2710	2764	33384	16297	16985	-1.5	4.2
Petroleum Products	000 tons	9340	9351	113241	54793	58825	6.1	7.4
Finished steel	000 tons	3150	3287	36925.1	18413	18966	11.9	3.0
Cement	000 tons	9400	10319	123440	59970	62824	5.6	4.8
Average growth rate*	(%)	7.9	5.9	5.4	-	-	5.4	5.7
		July		Full Yr.	April-July		April-July	
Cargo handled at major ports	Mn tons	27.39	30.48	344.52	107.18	116.41	6.0	8.6
Telecommunications								
a) Net switching capacity	000 lines	200.29	450.38	1817.66	364.99	1617.44	-66.5	343.1
b) Net Tele. Connections	000 nos	1258.19	534.74	7804.86	2882.66	1962.83	295.5	-31.9
Revenue earning goods traffic on railways	Mn tons	45.46	49.66	557.39	178.60	190.90	7.2	6.9
* 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).								

Revenue Earning goods traffic handled by Railways

The revenue earning goods traffic handled by Railways during April-July, 2004 increased by 6.9 per cent as compared to 7.2 per cent in the corresponding period of last year.

Commodities	July		Full Year	April-July		%Change	
	2003	2004	2003-04	2003-2004	2004-2005	April-July, 03	April-July, 04
Coal	20.26	22.27	251.66	80.71	86.62	6.2	7.3
Raw material for Steel Plants	3.67	3.61	43.94	14.25	13.32	12.3	-6.5
Pig Iron & Finished Steel From Steel Plants	1.22	1.18	14.34	4.40	4.28	12.8	-2.7
Iron Ore for Exports	1.80	3.11	26.66	6.81	11.08	50.7	62.7
Cement	3.93	4.28	49.52	16.63	17.68	3.4	6.3
Foodgrains	4.11	4.28	45.43	15.38	15.48	6.5	0.7
Fertilizers	2.15	2.39	25.83	7.80	8.65	-10.4	10.9
POL	2.91	2.75	32.02	10.63	10.65	-11.5	0.2
Balance other goods	5.41	5.79	67.99	22.02	23.16	20.8	5.2
Total	45.46	49.66	557.39	178.63	190.92	7.2	6.9

MONEY AND BANKING

During the current financial year 2004-05, broad money stock (M3) (up to October 15, 2004) increased by 6.0 per cent (exclusive of conversion of non-banking entity into banking entity, 5.8 per cent) as compared with the growth rate of 7.9 per cent registered during the corresponding period of the last year. The year-on-year growth as on October 15, 2004 was 14.5 per cent (exclusive of conversion, 14.4 per cent) as compared with 11.7 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 during the current financial year (up to October 15, 2004). These assets have grown by 11.1 per cent as compared with 13.6 per cent in the same period of last year. The annual growth rate of NFA, as on October 15, 2004, was 30.8 per cent, which is much higher than the growth rate of 25.5 per cent achieved on the corresponding date of last year.

Items	Outstanding as on (Rs. crore)		% Variations			
			Financial year so far		Year-on-year	
	March 31, 2004	Oct. 15, 2004	2003-04	2004-05	2003	2004
M3(I+II+III+IV)	2003102	2123514	7.9	6.0	11.7	14.5
		(2119945)		(5.8)		(14.4)
I. Currency with the public	315493	330044	6.7	4.6	12.9	13.9
II. Demand deposits with banks	256039	262148	8.5	2.4	18.4	21.5
III. Time deposits with banks	1426451	1524775	8.1	6.9	10.5	13.4
		(1521206)		(6.6)		(13.1)
IV. Other deposits with RBI	5119	6547	6.8	27.9	6.2	89.1
Sources (1+2+3+4-5)						
1. Net bank credit to Govt. (A+B)	745499	755114	6.2	1.3	12.3	5.1
		(742921)		(-0.3)		(3.4)
A. RBI's net credit to Govt.	44907	20865	-48.1	-53.5	-48.1	-66.7
B. Other bank credit to Govt.	700591	734249	18.0	4.8	26.3	11.9
2. Bank credit to commercial sector	1017902	1153509	3.9	13.3	11.4	23.5
		(1120827)		(10.1)		(20.0)
3. Net foreign exchange assets of banking sector	526586	584928	13.6	11.1	25.5	30.8
4. Government's currency liabilities to the public	7296	7339	2.2	0.6	5.5	1.5
5. Banking sector's net non-monetary liabilities other than time deposits	294181	377376	-1.9	28.3	38.8	48.9

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

Scheduled Commercial Banks: Business in India

During the current financial year (up to October 15, 2004) incremental gross bank credit increased by 15.5 per cent (exclusive of conversion, 11.6 per cent) as compared with a growth of 3.4 per cent in the same period of the previous year. The year-on-year growth of gross bank credit as on October 15, 2004 was 28.8 (exclusive of conversion, 24.5 per cent) per cent as against 12.0 per cent on the corresponding date of last year.

Non-Food credit during the financial year so far, registered a growth of 16.2 per cent (exclusive of conversion, 12.1 per cent) as compared with an increase of 5.9 per cent

during the same period of the last year. The annual growth rate was 29.9 per cent (exclusive of conversion, 25.4 per cent) as compared with 16.1 per cent on the corresponding date of last year.

The year-on-year growth of time deposits with banks as on October 15, 2004 was higher at 14.7 per cent (exclusive of conversion, 14.4 per cent) as compared with 10.5 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	Oct. 15, 2004	2003- 04	2004-05	2003	2004
1. Bank credit	840784	971017	3.4	15.5	12.0	28.8
		(938335)		(11.6)		(24.5)
Food credit	35961	35959	-31.0	0.0	-35.2	5.3
Non-Food credit	804823	935058	5.9	16.2	16.1	29.9
		(902376)		(12.1)		(25.4)
2. Aggregate deposit	1504416	1605233	8.1	6.7	11.7	15.9
		(1601664)		(6.5)		(15.6)
Demand deposit	225022	231326	10.1	2.8	19.5	23.3
Time deposits	1279394	1373907	7.8	7.4	10.5	14.7
		(1370338)		(7.1)		(14.4)
3. Investments in Govt. and other approved securities	677587	707812	15.9	4.5	23.0	11.6
		(695619)		(2.7)		(9.6)
Government securities	654757	681418	16.7	4.1	24.6	11.5
		(669225)		(2.2)		(9.5)
Other approved securities	22830	26394	-2.9	15.6	-7.1	12.6

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 October 15, 2004 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 2.60/5.00 as compared with 3.00/4.80 per cent on the corresponding date of last year.

Item/week ended	2003	2004
	Oct. 17	Oct. 15
1	2	3
Bank Rate	6.00	6.00
IDBI ¹	12.50	10.25
Prime Lending Rate ²	10.50-11.50	10.25-10.75
Deposit Rate ³	5.00-6.00	5.00-5.50
Call Money Rate ⁴ (Low/High)		
Borrowings	3.00/4.80	2.60/5.00
Lending	3.00/4.80	2.60/5.00

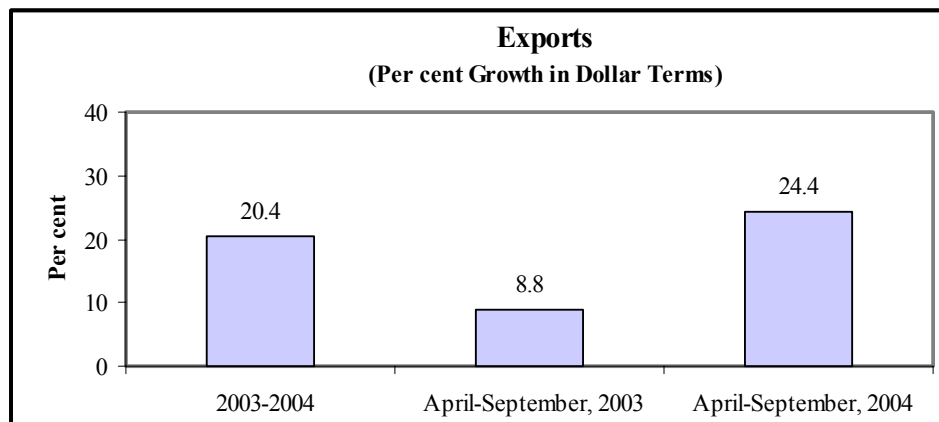
1. Minimum Term Lending Rate (MTLR)
2. Prime Lending Rate relates to five major Banks
3. Deposit Rate relates to major banks for term deposits of more than one year maturity.
4. Call money rates are based on data covering 90-95 per cent of total transactions reported by major participants.

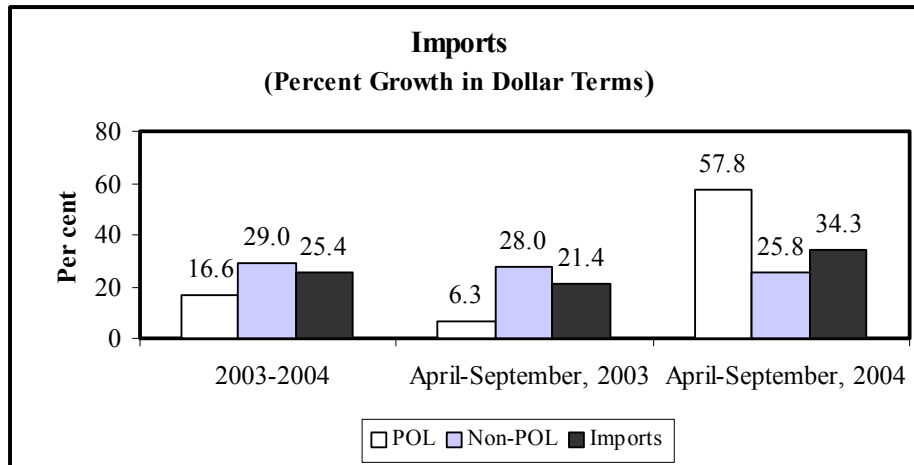
FOREIGN TRADE

Exports in dollar terms during April-September, 2004 increased by 24.4 percent as compared to an increase of 8.8 percent during April-September, 2003. Imports increased by 34.3 percent during April-September, 2004 as against an increase of 21.4 percent last year.

Item			April-Sept.		% Change	
	2002-03 (R)	2003-04(PR)	2003-04	2004-05	2003-04	2004-05
Rs. Crore						
Exports	255137	291582	126164	153771	3.7	21.9
Imports	297206	353976	160764	211374	15.8	31.5
POL	85367	94520	42877	66195	1.4	54.4
Non-POL	211839	259456	117887	165179	22.1	23.2
Trade Balance	-42069	-62394	-34600	-57603	-	-
Million Dollars						
Exports	52719	63454	27133	33750	8.8	24.4
Imports	61412	77032	34555	46404	21.4	34.3
POL	17640	20569	9215	14539	6.3	57.8
Non-POL	43773	56463	25340	31865	28.0	25.8
Trade Balance	-8693	-13578	-7422	-12654	-	-

(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, 2999	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				
December				
January				
February				
March				
* Provisional				

EXTERNAL ASSISTANCE AND DEBT SERVICE PAYMENTS

Gross external aid during April-September, 2004 at Rs 6189.62 crore was 16.2 percent higher than that of Rs 5325.24 crore in the same period of last year. Net Aid flows were Rs. 2627.11 crore as compared with Rs. (-) 600.97 crore during the same period of last year. Net Aid Transfers were Rs. 1173.23 crore as compared with Rs. (-) 2391.78 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	4215.97	4818.67	4636.79	3145.73	1543.74	1263.37
External Assistance – Non-Govt A/C	665.75	357.77	1289.42	416.78	247.07	190.51
Govt. Grant	388.66	988.65	-	-	-	-
Non-Govt Grant	54.86	24.53	-	-	-	-
Grand Total	5325.24	6189.62	5926.21	3562.51	1790.81	1453.88
Net Disbursement	-600.97	2627.11	-	-	-	-
Net Transfers	-2391.78	1173.23				

* April -September

Rupees Per Unit of foreign Currency

The average market exchange rate of the Rupee during September, 2004 appreciated against US Dollar, Pound Sterling, Euro and Japanese Yen as compared with average market exchange rate of the Rupee during August, 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				
November				
December				
January				
February				
March				

@ FEDAI Rates

INFLATION

The annual rate of inflation based on Wholesale Price Index (WPI) stood at 7.10 per cent for week ended October 16, 2004 compared with 5.13 per cent a year ago. This rate was contributed by an increase of 4.04 per cent in Primary Articles, 10.99 per cent increase in Fuel, Power, Lights and Lubricants and 6.91 per cent increase in Manufactured Products as against an increase of 4.51 per cent, 5.09 per cent and 5.39 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)	
		Last year	Current year	Last year (ending 16-10-2004)	Current year
All Commodities	100.00	0.28	-0.37	5.13	7.10
1.Primary articles	22.03	1.22	-1.14	4.51	4.04
2. fuel,Power,Light and Libricants	14.23	-0.28	0.04	5.09	10.99
3. Manufactured Products	63.75	0.19	-0.24	5.39	6.91

CONSUMER PRICE INDEX

All India Consumer Price Index for Industrial Workers (CPI-IW) for August, 2004 which stood at 522, increased by 1.0 per cent over previous month's level and increased by 4.6 percent over August, 2003.

CONSUMER PRICE INDEX AND INFLATION RATE (%)		
	2003-04 (Up to Aug., 2003)	2004-05 (Up to Aug., 2004)
Annual Inflation	3.1	4.6
Financial Year Inflation	2.5	3.6
% Change over last month	-0.4	1.0
Level of Index	499	522
Average of Index for 12 months ending August	490.25	506.92

PUBLIC FINANCE

Trends in Central Government Finances: April-September 2004

	Budget Estimates 2004-05	April-September		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	93998	106507	37.0	34.4	2.4	13.3
Gross tax revenue	317733	94351	112843	37.5	35.5	6.7	19.6
Tax (net to Centre)	233906	65057	77860	35.3	33.3	5.3	19.7
Non Tax	75416	28941	28647	41.5	38.0	-3.7	-1.0
2. Capital Receipts	168507	123103	89066	66.6	52.9	74.3	-27.6
of which:							
Recovery of loans	27100	40991	35639	227.4	131.5	315.9	-13.1
Other Receipts	4000	1098	192	8.3	4.8	--	--
Borrowings and other liabilities	137407	81014	53235	52.7	38.7	40.3	-34.3
3. Total Receipts (1+2)	477829	217101	195573	49.5	40.9	33.6	-9.9
4. Non-Plan Expenditure (a)+(b)	332239	170211	142299	53.6	42.8	41.6	-16.4
(a) Revenue Account	293650	129547	131716	44.8	44.9	13.9	1.7
<i>Of which:</i>							
Interest payments	129500	51806	55399	42.0	42.8	5.8	6.9
Major Subsidies	42021	26495	21995	54.5	52.3	58.2	-16.8
Pensions	15928	6141	7804	39.7	49.0	13.3	27.1
(b) Capital Account	38589	40664	10583	143.0	27.4	533.8	-74.0
5. Plan Expenditure (i)+(ii)	145590	46890	53274	38.8	36.6	10.9	13.6
(i) Revenue Account	91843	29878	34742	38.9	37.8	16.3	16.3
(ii) Capital Account	53747	17012	18532	38.5	34.5	2.5	8.9
6. Total Expenditure (4)+(5)=(a)+(b)	477829	217101	195573	49.5	40.9	33.6	-9.9
(a) Revenue Expenditure	385493	159425	166458	43.5	43.2	14.3	4.4
(b) Capital Expenditure	92336	57676	29115	79.5	31.5	150.5	-49.5
7. Revenue Deficit	76171	65427	59951	58.3	78.7	37.4	-8.4
8. Fiscal Deficit	137407	81014	53235	52.7	38.7	40.3	-34.3
9. Primary Deficit	7907	29208	-2164	96.0	-27.4	232.1	-107.4

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

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

(ii) Un-audited.