

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

**MONTHLY ECONOMIC REPORT
AUGUST, 2006**

HIGHLIGHTS

- The growth estimates of GDP at factor cost (at 1999-2000 prices) indicate that the economy grew by 9.3 percent in the fourth quarter of 2005-06 compared to 8.6 per cent during the corresponding period of the previous year.
- The Monsoon season rainfall from June 1, 2006 to September 6, 2006 was normal/excess in 69 per cent of meteorological sub-divisions.
- Food grain stocks were 19.35 million tonnes as on July 1, 2006.
- Overall industrial growth was 10.6 per cent during April-July, 2006 as compared with 8.9 per cent in April-July, 2005.
- Core infrastructure sectors achieved an average growth rate of 7.0 per cent during April-July, 2006 as compared with 6.1 per cent in April-July, 2005.
- Broad Money (M3) growth (year-on-year) was 19.9 per cent as on August 18, 2006 as compared with 14.2 per cent last year.
- Exports grew by 34.0 per cent in dollar terms during April-July, 2006. Imports increased by 29.2 per cent in April-July, 2006.
- Forex reserves (excluding Gold and SDRs) stood at \$158.94 billion at the end of August, 2006.
- Rupee stable against Japanese Yen and depreciated against US Dollar, Pound Sterling and Euro in August, 2006.
- The annual inflation rate in terms of WPI (Base 1993-94=100) was 5.01 per cent for the week ended August 26, 2006 as compared with 3.33 per cent a year ago.
- Tax revenue (net to Centre) during April-July, 2006 was higher by 44.8 per cent compared with an increase of 25.5 per cent in corresponding period last year.
- In terms of value, Fiscal deficit during April-July, 2006 was higher by 11.5 per cent over corresponding period last year.
- In terms of value, Revenue deficit during April-July, 2006 was higher by 13.5 per cent over corresponding period last year.

**(M. C. Singhi)
Adviser**

Economic growth

The Indian economy grew by 8.5 per cent and 7.5 per cent in 2003-04 and 2004-05 respectively. As per the revised estimates released by the Central Statistical Organisation, the economic growth is estimated at **8.4 per cent in 2005-06**. The growth estimates of GDP at factor cost (at 1999-2000 prices) indicate that the economy grew by 9.3 percent in the fourth quarter of 2005-06 compared to 8.6 per cent during the corresponding period of the previous year.

GDP at factor cost by economic activity (at constant 1999-2000 prices)											
Growth per cent									Percentage share to GDP		
Sector	Annual	2005-06		2004-05	2005-06				2003-04	2004-05(Q)	2005-06(R)
		2003-04	2004-05 (Q)		(R)	Q1	Q2	Q3			
1.Agriculture & allied	10.0	0.7	3.9	1.5	3.4	4.0	2.9	5.5	22.2	20.8	19.9
Industry	7.6	8.6	8.7	8.4	10.2	7.8	8.1	8.9	25.7	26.0	26.1
2. Mining & quarrying	5.3	5.8	0.9	3.7	3.1	-2.6	0.0	3.0	2.2	2.2	2.0
3..Manufacturing	7.1	8.1	9.0	8.1	10.7	8.1	8.3	8.9	15.0	15.1	15.1
4.Electricity, gas & water supply	4.8	4.3	5.3	1.4	7.4	2.6	5.0	6.1	2.3	2.2	2.2
5. Construction	10.9	12.5	12.1	13.5	12.4	12.3	11.5	12.0	6.2	6.5	6.7
Services	8.2	9.9	10.0	11.4	9.8	10.0	9.4	10.9	52.1	53.2	54.0
6.Trade, hotels, transport & communications	12.0	10.6	11.5	11.0	11.7	11.0	10.2	12.9	24.8	25.5	26.2
7.Financial services	4.5	9.2	9.7	10.7	8.8	10.5	8.9	10.5	13.2	13.4	13.5
8.Community, social & personal services	5.4	9.2	7.8	12.7	7.3	8.0	8.4	7.6	14.1	14.3	14.3
Total GDP at Factor Cost	8.5	7.5	8.4	8.6	8.5	8.4	7.5	9.3	100.0	100.0	100.0
Q: Quick estimates; R: Revised estimates Q1: April-June Q2: July-Sep Q3: Oct-Dec.; Q4: Jan-Mar Source: Central Statistical Organisation.											

AGRICULTURE

MONSOON SEASON RAINFALL*

In the monsoon season (June-September), the rainfall from June 1, 2006 to September 6, 2006 was normal/excess in 25 meteorological sub-divisions (69 per cent) and deficient/scanty in the remaining 11 (31 per cent). The annual average for 2001-2005 was normal/excess in 26 (71 per cent) meteorological sub-divisions and deficient/scanty in the remaining 10 (29 per cent).

Number of Meteorological Sub-divisions							
	2001	2002	2003	2004	2005	2001-2005+	2006
Excess/Normal	28	19	33	21	27	26	25
Deficient/Scanty/Nil	8	17	3	15	9	10	11
Total	36	36	36	36	36	36	36

(June- September) + Annual Average

PROCUREMENT

Wheat procurement as on July 1, 2006 in the current marketing year (i.e. 2006-07) declined by 37.6 per cent at 9.22 million tonnes as compared with 14.78 million tonnes in the corresponding period of 2005-06. Procurement of rice during the marketing year 2005-06 (as on July 1, 2006) at 26.55 million tonnes was higher by 16.0 per cent than the level of 22.88 million tonnes during the corresponding period of 2004-05.

	Full Marketing Year				As on 1 July		% change
	2002-03	2003-04	2004-05	2005-06	2005	2006	Col. 7/Col.6
	Million Tonnes						
1	2	3	4	5	6	7	8
Rice(Oct-Sept.)	16.41	22.83	24.21	-	22.88	26.55	16.0
Wheat(Apr-Mar)	19.06	15.80	16.80	14.79	14.78	9.22	-37.6
Total	35.47	38.63	41.01	14.79	37.66	35.77	-5.0

ALLOCATION AND OFF-TAKE

Off-take from the Public Distribution System from Central Pool during April-June, 2006 was 8.90 million tonnes as against 10.99 million tonnes during April-June, 2005.

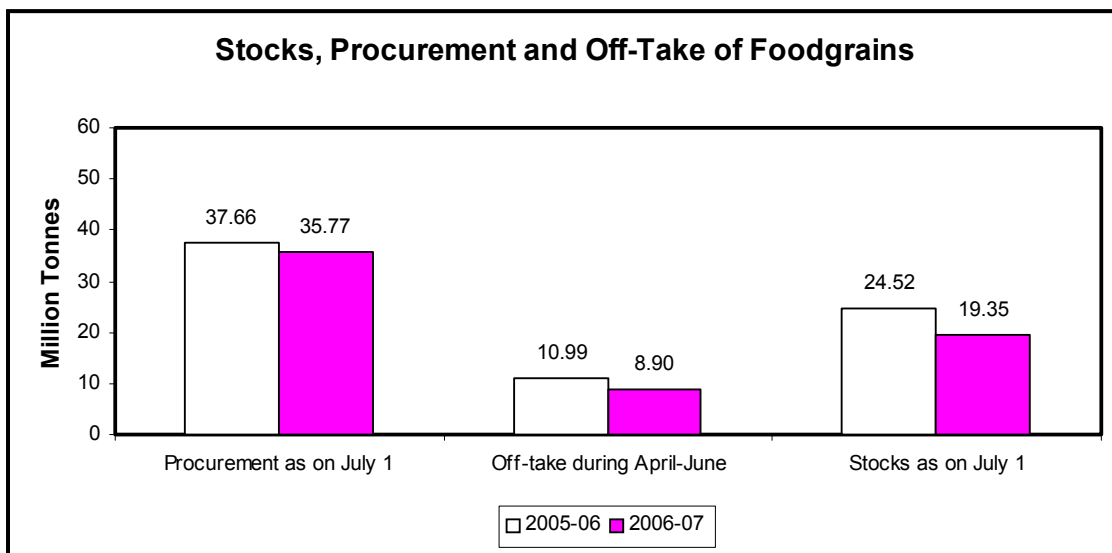
	2003-04(P)	2004-05(P)	2005-06(P)	April-June	
				2005	2006
ALLOCATION					
1	2	3	4	5	6
Rice	34.46	34.62	40.16	8.77	10.66
Wheat	37.13	37.43	31.83	9.25	5.66
Total	71.59	72.05	71.99	18.02	16.32
OFF-TAKE					
Rice	25.04	23.20	24.74	6.27	5.86
Wheat	24.29	18.27	17.16	4.72	3.04
Total	49.33	41.47	41.90	10.99	8.90

P : Provisional

STOCKS

Stocks of foodgrains as on July 1, 2006 was 19.35 million tonnes, which was lower by 21.1 per cent than the level of 24.52 million tonnes as on July 1, 2005.

	As on July 1	
	2005	2006
Rice	10.07	11.14
Wheat	14.45	8.21
Total	24.52	19.35



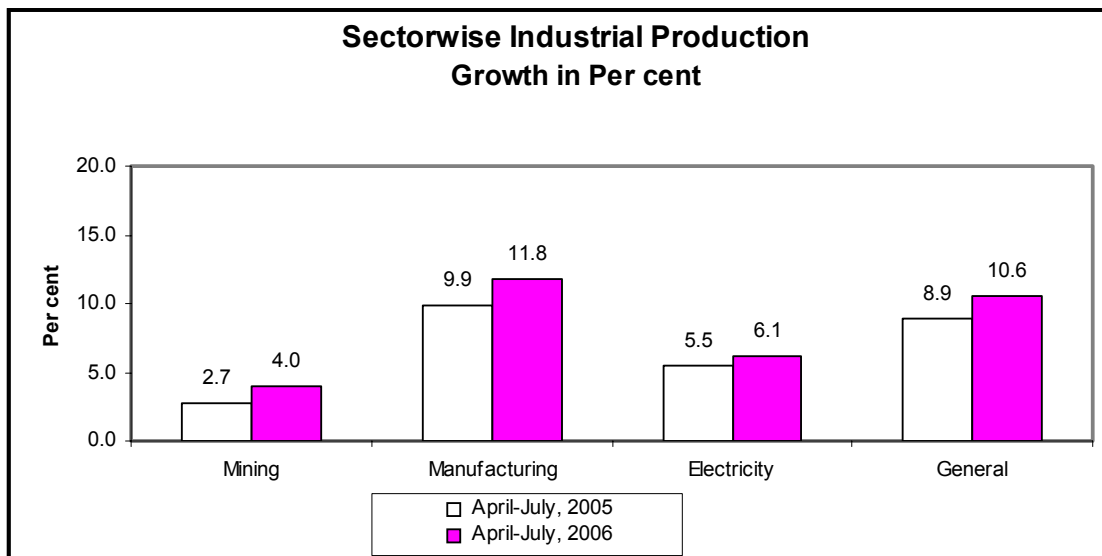
[Rice-Kharif marketing year (October-September)]
[Wheat - Rabi marketing year (April-March)]

INDEX OF INDUSTRIAL PRODUCTION

The overall growth rate of index of industrial production (IIP) during April-July, 2006 was 10.6 percent as compared to 8.9 percent in April-July, 2005. The growth rate achieved by the mining, manufacturing and electricity sectors during April-July, 2006 was 4.0 percent, 11.8 percent and 6.1 percent respectively as compared to 2.7 percent, 9.9 percent and 5.5 percent during corresponding period last year.

As per the use-based classification, growth rate in production, in April-July, 2006 of basic goods, capital goods and intermediate goods registered higher growth whereas consumer goods showed lower growth as compared to April-July, 2005.

(PERCENTAGE CHANGE IN SECTORWISE INDEX OF INDUSTRIAL PRODUCTION (Base: 1993-94=100))						
	2004-05	2005-06	Jul '05	Jul '06	April-July	
					2005-06	2006-07
General	8.4	8.1	4.7	12.4	8.9	10.6
Mining	4.4	0.9	-1.9	6.0	2.7	4.0
Manufacturing	9.2	9.1	6.0	13.3	9.9	11.8
Electricity	5.2	5.2	-0.9	8.6	5.5	6.1
Use-Based Classification						
Basic goods	5.5	6.6	3.4	10.0	6.7	9.2
Capital goods	13.9	15.8	14.9	15.4	14.1	19.9
Intermediate goods	6.1	2.4	3.2	7.9	3.5	9.2
Consumer goods	11.7	12.0	4.5	17.9	14.8	10.3
<i>Of which</i>						
Consumer durables	14.4	14.9	3.8	17.5	13.0	15.7
Consumer non-durables	10.8	11.1	4.7	18.0	15.5	8.5

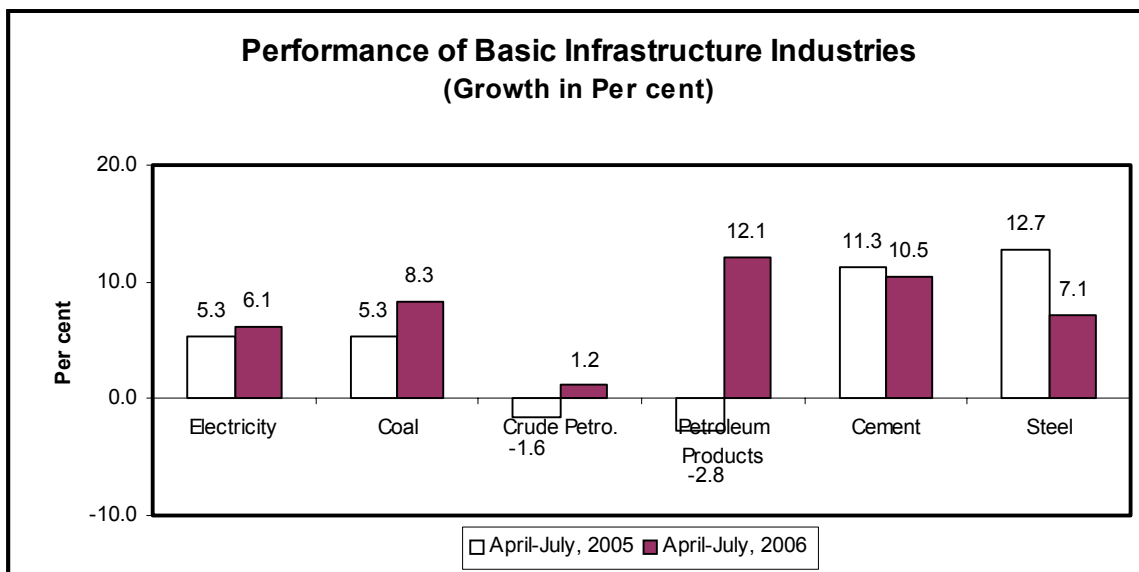


INFRASTRUCTURE

The six core infrastructure industries registered a growth of 7.0 per cent during April-July, 2006 as compared to 6.1 per cent in corresponding period last year.

PRODUCTION IN INFRASTRUCTURE INDUSTRIES								
Industry/Infrastructure	Unit	July		Full Yr.	April-July		% Change	
		2005	2006	2005-06	2005-06	2006-07	2005-06	2006-07
Coal	Mn tonnes	28.1	31.1	401.5	117.9	127.7	5.3	8.3
Electricity Generation	Mn kwh	49781	54038	617382	204086	216507	5.3	6.1
Crude petroleum	000 tonnes	2751	2865	32196	11167	11306	-1.6	1.2
Petroleum Products	000 tonnes	10096	11372	120747	38562	43214	-2.8	12.1
Finished steel	000 tonnes	3432	3705	42650	13385	14339	12.7	7.1
Cement	000 tonnes	11160	12645	147806	48040	53092	11.3	10.5
Average growth rate*		2.3	9.0	5.0	-	-	6.1	7.0

* 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).



MONEY AND BANKING

During the current financial year 2006-07, broad money stock (M3) (up to August 18, 2006) increased by 5.5 per cent as compared with the growth rate of 3.0 per cent registered during the corresponding period of the last year. The year-on-year growth, as on August 18, 2006, was 19.9 per cent as compared with 14.2 per cent on the corresponding date of last year.

Net foreign exchange assets (NFA) of banking sector (up to August 18, 2006) registered an increase of 12.7 per cent as compared with 1.2 per cent in the same period last year. The annual growth rate of NFA, as on August 18, 2006, was 24.8 per cent as against 13.2 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, 2006	August 18, 2006	2005-06	2006-07	2005	2006
M3(I+II+III+IV)	2729535	2880355	3.0	5.5	14.2	19.9
I. Currency with the public	413143	439237	4.7	6.3	14.1	18.2
II. Demand deposits with banks	405224	376660	-4.4	-7.0	18.8	22.6
III. Time deposits with banks	1904290	2057988	4.1	8.1	13.4	19.8
IV. Other deposits with RBI	6879	6469	-24.0	-6.0	6.9	34.7
Sources (1+2+3+4-5)						
1. Net bank credit to Govt. (A+B)	769093	796944	2.1	3.6	0.3	4.3
A. RBI's net credit to Govt.	8136	-1252	-	-	-	-
B. Other bank credit to Govt.	760956	798196	1.7	4.9	5.1	1.1
2. Bank credit to commercial sector	1690961	1767815	3.6	4.5	28.0	28.2
3. Net foreign exchange assets of banking sector	726194	818269	1.2	12.7	13.2	24.8
4. Government's currency liabilities to the public	8754	8818	9.9	0.7	11.5	7.8
5. Banking sector's net non-monetary liabilities other than time deposits	465466	511492	0.7	9.9	26.1	26.2

Scheduled Commercial Banks (SCBs) : Business in India

During the current financial year (up to August 18, 2006) incremental gross bank credit increased by 4.6 per cent as compared with a growth of 4.0 per cent in the same period of the previous year. The year-on-year growth of gross bank credit as on August 18, 2006 was 31.6 per cent as against 32.6 per cent on the corresponding date of last year.

Non-Food credit during the financial year so far (up to August 18, 2006), registered an increase of 5.0 per cent as compared with an increase of 4.1 per cent during the same period of the last year. The year-on-year growth rate of non-food credit was 33.0 per cent as compared with 34.0 per cent on the corresponding date of last year.

The year-on-year growth of time deposits with SCBs as on August 18, 2006 was 21.3 per cent as compared with 14.5 per cent on the corresponding date of last year.

Items	Outstanding as on (Rs. Crore)		% Variations			
			Financial year so far		Year-on-year	
	Mar. 31, 2006	August 18, 2006	2005-06	2006-07	2005	2006
1. Bank credit	1507078	1576146	4.0	4.6	32.6	31.6
Food credit	40691	36535	0.8	-10.2	1.0	-9.4
Non-Food credit	1466387	1539611	4.1	5.0	34.0	33.0
2. Aggregate deposit	2109048	2236191	2.9	6.0	15.2	21.7
Demand deposit	364640	337635	-5.1	-7.4	19.6	24.4
Time deposits	1744408	1898556	4.4	8.8	14.5	21.3
3. Investments in Govt. and other approved securities	717455	760277	1.6	6.0	4.5	1.1
Government securities	700742	738063	1.7	5.3	4.9	0.8
Other approved securities	16713	22214	-1.2	32.9	-11.0	12.4

INTEREST RATES (PER CENT PER ANNUM)

As on August 18, 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 5.25/6.25 per cent as compared with 0.60/6.15 per cent on the corresponding date of last year.

Item/week ended	2005	2006
	August 19	August 18
1	2	3
Bank Rate	6.00	6.00
IDBI ¹	10.25	10.25
Prime Lending Rate ²	10.25-10.75	11.00/11.50
Deposit Rate ³	5.25-6.25	6.25-8.00
Call Money Rate ⁴ (Low/High)		
Borrowings	0.60/6.15	5.25/6.25
Lending	0.60/6.15	5.25/6.25

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-July, 2006 increased by 34.0 percent. Imports increased by 29.2 percent. Oil imports were increased by 43.2 percent and Non-oil imports were increased by 9.9 per cent.

Million US Dollar

Item			April-July (P)		% Change April-July
	2004-05(P)	2005-06 (P)	2005-06	2006-07	2006-07
Exports	80672	100607	28135	37708	34.0
Imports	106631	140238	42109	54424	29.2
POL	29858	43844	12940	18534	43.2
Non-POL	76772	96393	32659	35891	9.9
Trade Balance	-25959	-39631	-13975	-16717	-

Source: Data for April-July, 2006 are as per the press note of the Ministry of Commerce and Industry.

FOREIGN EXCHANGE RESERVES (EXCLUDING GOLD & SDRs)

	Amount		Variation	
	Rs.Crore	\$ Million	Rs.Crore	\$ Million
At the end of			(over last year)	
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
March, 2006	647327	145108	54206	9537
2006-2007			(over last month)	
April	690730	153598	43403	8490
May	724648	156073	33918	2475
June	718701	155968	-5947	-105
July	731354	157247	12653	1279
August*	739857	158938	8503	1691

* Provisional

Source : RBI.

EXTERNAL ASSISTANCE AND DEBT SERVICE PAYMENTS

Gross external aid during April-August, 2006 at Rs 5264 crore was 7.1 percent lower than that of Rs 5668 crore in April-August, 2005. Net disbursements were Rs 1422 crore as compared with Rs. 2279 crore during same period last year. Net aid transfers were Rs (-)275 crore as compared with Rs 856 crore during corresponding period last year.

EXTERNAL ASSISTANCE AND DEBT SERVICE PAYMENTS*

	<i>(Rs crore)</i>					
	Receipts		Repayment of Principal		Payment of Interest	
	2005-06	2006-07	2005-06	2006-07	2005-06	2006-07
External Assistance - Govt A/C	4393	4567	2842	3418	1212	1464
External Assistance – Non-Govt A/C	518	231	546	424	211	233
Govt. Grant	731	457	-	-	-	-
Non-Govt Grant	25	9	-	-	-	-
Grand Total	5668	5264	3388	3842	1423	1697
Net Disbursement	2279	1422	-	-	-	-
Net Transfers	856	-275	-	-	-	-
* April-August						

Rupees Per Unit of Foreign Currency

The average market exchange rate of the Rupee during August, 2006 stable against Japanese Yen and depreciated against US Dollar, Pound Sterling and Euro as compared with average market exchange rate of the Rupee during July, 2006.

Rupees Per Unit of Foreign Currency

	<i>(Market Rate)@</i>			
	US Dollar	Pound Sterling	Japanese Yen	Euro
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
March, 2006	44.48	77.62	0.3793	53.46
2006-2007				
April	44.95	79.45	0.3844	55.15
May	45.41	84.85	0.4064	57.97
June	46.06	84.96	0.4021	58.34
July	46.46	85.66	0.4017	58.96
August	46.54	88.05	0.4017	59.62
@ FEDAI Rates				

INFLATION

The annual rate of inflation based on Wholesale Price Index (WPI) stood at 5.01 per cent for week ended August 26, 2006 compared with 3.33 per cent a year ago. This rate was contributed by an increase of 5.98 per cent in Primary Articles, 7.96 per cent increase in Fuel, Power, Lights and Lubricants and 3.43 per cent increase in Manufactured Products as against an increase of 0.31 per cent, 8.11 per cent and 2.75 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 26-8-2006)			
		Last year	Current year	Last year	Current year
All Commodities	100.00	0.21	0.59	3.33	5.01
1. Primary articles	22.03	0.00	1.28	0.31	5.98
2. Fuel, Power, Light and Lubricants	14.23	-0.13	0.21	8.11	7.96
3. Manufactured Products	63.75	0.41	0.45	2.75	3.43

CONSUMER PRICE INDEX

All India Consumer Price Index for Industrial Workers (CPI-IW) for July, 2006 stood at 574 (increased by 0.9 per cent over previous month's level of 569). The level of CPI-IW of July, 2006 was higher than the level of July, 2005 by 6.7 per cent.

CONSUMER PRICE INDEX AND INFLATION RATE (%)		
(Base : 1982=100)		
	2005-06 (July, 2005)	2006-07 (July, 2006)
Annual Inflation	4.1	6.7
Financial Year Inflation	2.5	4.2
% Change over last month	1.7	0.9
Level of Index	538	574
Average of Index for 12 months ending July	526.33	553.58

PUBLIC FINANCE

Trends in Central Government Finances: April-July 2006

	Budget Estimates 2006-07	April-July		Col.3 as % of	Col. 4 as % of	% Change over proceeding year	
		2005-06	2006-07	2005-06 BE	2006-07 BE	2005-06	2006-07 (4/3)
(Rs. Crore)							
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1. Revenue Receipts	403465	56304	77336	16.0	19.2	20.1	37.4
Gross tax revenue	442153	71466	96480	19.3	21.8	22.5	35.0
Tax (net to Centre)	327205	43964	63640	16.1	19.4	25.5	44.8
Non Tax	76260	12340	13696	15.9	18.0	4.0	11.0
2. Capital Receipts	160526	79769	88745	48.9	55.3	4.4	11.3
of which:							
Recovery of loans	8000	2288	2341	19.1	29.3	-91.1	2.3
Other Receipts	3840	1	0			-99.5	-100.0
Borrowings and other liabilities	148686	77480	86404	51.3	58.1	53.7	11.5
3. Total Receipts (1+2)	563991	136073	166081	26.5	29.4	10.4	22.1
4.Non-Plan Expenditure (a)+(b)	391263	98441	120110	26.5	30.7	5.8	22.0
(a) Revenue Account	344430	94150	115048	28.5	33.4	10.9	22.2
Of which:							
Interest payments	139823	34082	40178	25.4	28.7	-6.9	17.9
Major Subsidies	44532	17928	21685	38.9	48.7	26.0	21.0
Pensions	19542	5933	6568	30.4	33.6	23.3	10.7
(b) Capital Account	46833	4291	5062	10.6	10.8	-47.2	18.0
5.Plan Expenditure (i)+(ii)	172728	37632	45971	26.2	26.6	24.4	22.2
(i) Revenue Account	143762	31083	40498	26.8	28.2	55.1	30.3
(ii) Capital Account	28966	6549	5473	23.8	18.9	-35.8	-16.4
6.Total Expenditure (4)+(5)=(a)+(b)	563991	136073	166081	26.5	29.4	10.4	22.1
(a)Revenue Expenditure	488192	125233	155546	28.0	31.9	19.3	24.2
(b)Capital Expenditure	75799	10840	10535	16.0	13.9	-40.9	-2.8
7. Revenue Deficit	84727	68929	78210	72.3	92.3	18.7	13.5
8. Fiscal Deficit	148686	77480	86404	51.3	58.1	53.7	11.5
9. Primary Deficit	8863	43398	46226	252.3	521.6	214.9	6.5

Source : Controller General of Accounts, MOF, GOI.