

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

**MONTHLY ECONOMIC REPORT
FEBRUARY, 2006**

HIGHLIGHTS

- The winter season rainfall from January 1, 2006 to February 28, 2006 was normal/excess in 8 per cent of meteorological sub-divisions.
- Food grain stocks were 18.83 million tonnes as on January 1, 2006.
- Overall industrial growth was 8.0 per cent during April-January, 2005-06 as compared with 8.4 per cent in April-January, 2004-05.
- Core infrastructure sectors achieved an average growth rate of 4.3 per cent during April-January, 2005-06 as compared with 6.2 per cent in April-January, 2004-05.
- Broad Money (M3) growth (year-on-year) was 16.3 per cent as on February 17, 2006 as compared with 13.0 per cent (net of conversion) last year.
- Exports grew by 18.9 per cent in dollar terms during April-January, 2005-06 as compared with 26.8 per cent in corresponding period last year. Imports grew by 26.7 per cent in April-January, 2005-06 as compared with 37.9 per cent in April-January, 2004-05.
- Forex reserves (excluding Gold and SDRs) stood at \$135.90 billion at the end of February, 2006.
- Rupee appreciated against US Dollar, Pound Sterling, Japanese Yen and Euro in February, 2006.
- The annual inflation rate in terms of WPI (Base 1993-94=100) was 4.02 per cent for the week ended March 4, 2006 as compared with 5.46 per cent a year ago.
- Tax revenue (net to Centre) during April-January, 2005-06 was higher by 22.0 per cent compared with an increase of 17.8 per cent in corresponding period last year.
- In terms of value, Fiscal deficit during April-January, 2005-06 was higher by 17.3 per cent over corresponding period last year.
- In terms of value, Revenue deficit April-January, 2005-06 was higher by 16.0 per cent over corresponding period last year.

**(R. C. Srinivasan)
Adviser**

AGRICULTURE

WINTER SEASON RAINFALL*

In the winter season (January-February), the rainfall from January 1, 2006 to February 28, 2006 was normal/excess in 3 meteorological sub-divisions (8 per cent) and deficient/scanty in the remaining 33 (92 per cent). The annual average for 2001-2005 was normal/excess in 16 (43 per cent) meteorological sub-divisions and deficient/scanty in the remaining 20 (57 per cent).

Number of Meteorological Sub-divisions

	2001	2002	2003	2004	2005	2001-2005+	2006
Excess/Normal	6	14	21	14	23	16	3
Deficient/Scanty/Nil	30	22	15	22	13	20	33
Total	36	36	36	36	36	36	36

* (January-February)

+ Annual Average

PROCUREMENT

Wheat procurement up to March 14, 2006 in the current marketing year (i.e. 2005-06) declined by 12.0 per cent at 14.79 million tonnes as compared with 16.80 million tonnes in the corresponding period of 2004-05. Procurement of rice during the marketing year 2005-06 (up to March 14, 2006) at 20.75 million tonnes was higher by 10.7 per cent than the level of 18.75 million tonnes during the corresponding period of 2004-05.

	Full Marketing Year				Up to Mar. 14		% change
	2001-02	2002-03	2003-04	2004-05	2005	2006	Col. 7/Col.6
	Million Tonnes						
1	2	3	4	5	6	7	8
Rice(Oct-Sept.)	21.28	16.41	22.83	24.21	18.75	20.75	10.7
Wheat(Apr-Mar)	20.63	19.06	15.80	16.80	16.80	14.79	-12.0
Total	41.91	35.47	38.63	41.01	35.55	35.54	0.0

OFF-TAKE

Off-take from the Public Distribution System from Central Pool during April-December, 2005 was 29.78 million tonnes as against 29.79 million tonnes during April-December, 2004.

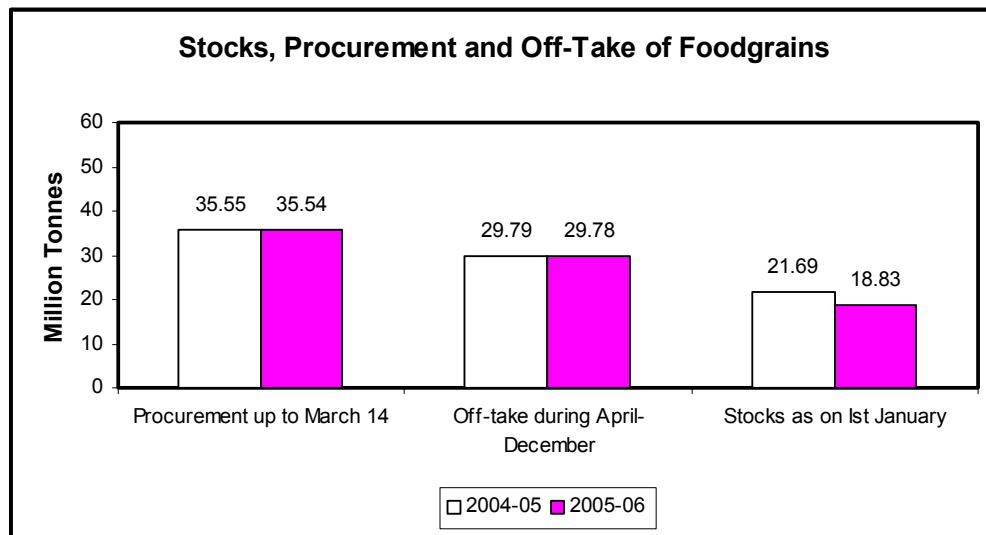
	2002-03(P)	2003-04(P)	2004-05(P)	April-December (P)	
				2004	2005
1	3	4	5	5	6
	Million Tonnes				
Rice	24.64	25.04	22.98	16.48	17.11
Wheat	24.99	24.29	18.27	13.31	12.68
Total	49.63	49.33	41.25	29.79	29.78

P : Provisional

STOCKS

Stocks of foodgrains as on January 1, 2006 was 18.83 million tonnes, which was lower by 13.2 per cent than the level of 21.69 million tonnes as on January 1, 2005.

	As on December 1		As on January 1	
	2004	2005	2005	2006
	Million Tonnes			
Rice	11.14	11.13	12.76	12.64
Wheat	10.66	7.63	8.93	6.19
Total	21.80	18.76	21.69	18.83

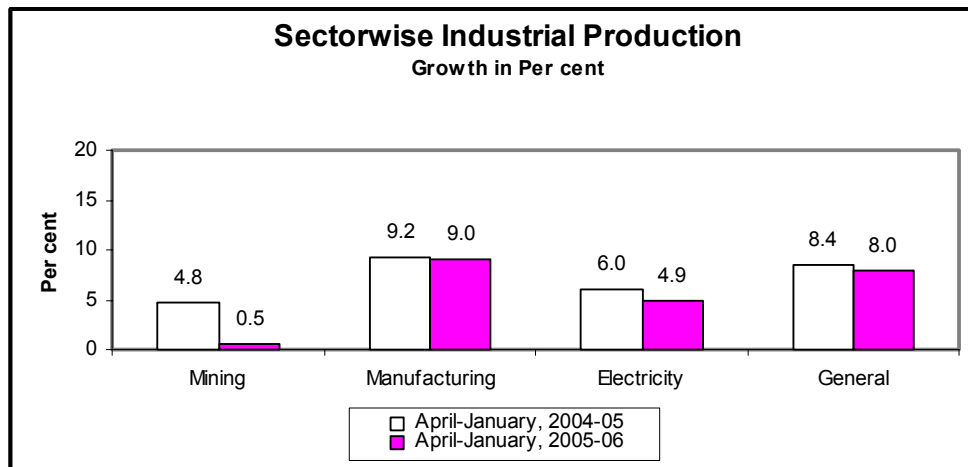


INDEX OF INDUSTRIAL PRODUCTION

The overall growth rate of index of industrial production (IIP) during April-January, 2005-06 was 8.0 percent as compared to 8.4 percent in April-January, 2004-05. The growth rate achieved by the mining, manufacturing and electricity sectors during April-January, 2005-06 was 0.5 percent, 9.0 percent and 4.9 percent respectively as compared to 4.8 percent, 9.2 percent and 6.0 percent respectively during corresponding period last year.

As per the use-based classification, growth rate in production, in April-January, 2005-06, of basic goods and capital goods registered higher growth whereas intermediate goods and consumer goods showed lower growth as compared to April-January, 2004-05.

SECTORWISE INDEX OF INDUSTRIAL PRODUCTION						
(Base: 1993-94=100)						
(Percentage change)						
	2003-04	2004-05	Jan '05	Jan '06	April-Jan.	
					2004-05	2005-06
General	7.0	8.4	7.5	8.3	8.4	8.0
Mining	5.2	4.4	2.6	0.2	4.8	0.5
Manufacturing	7.4	9.2	8.6	9.2	9.2	9.0
Electricity	5.1	5.2	2.4	5.8	6.0	4.9
Use-Based Classification						
Basic goods	5.4	5.5	4.7	6.7	5.8	6.2
Capital goods	13.6	13.9	8.0	26.3	13.1	16.8
Intermediate goods	6.4	6.1	1.6	4.6	6.4	2.6
Consumer goods	7.1	11.7	15.2	7.2	11.8	11.7
<i>Of which</i>						
Consumer durables	11.6	14.3	10.3	12.4	14.8	13.6
Consumer non-durables	5.8	10.8	16.7	5.7	10.8	11.0



INFRASTRUCTURE

The six core infrastructure industries registered a lower growth of 4.3 per cent during April-January, 2005-06 as compared to 6.2 per cent in corresponding period last year.

PRODUCTION IN INFRASTRUCTURE INDUSTRIES								
		January		Full Yr.	April-January		% Change	
							April-January	
Industry/Infrastructure	Unit	2005	2006	2004-05	2004-05	2005-06	2004-05	2005-06
Coal	Mn tonnes	35.4	38.3	375.0	302.6	320.7	6.8	6.0
Electricity Generation	Mn kwh	50529	53461	587366	488479	512266	6.0	4.9
Crude petroleum	000 tonnes	2913	2775	33981	28469	26813	2.6	-5.8
Petroleum Products	000 tonnes	10295	10835	118216	98598	99542	5.9	1.0
Finished steel	000 tonnes	3510	3375	38325	32829	34777	7.7	5.9
Cement	000 tonnes	11760	13571	131559	108063	120401	7.2	11.4
Average growth rate*	(%)	4.2	3.3	4.4	-	-	6.2	4.3
		December		Full Yr.	April-Dec.		April-Dec.	
Cargo handled at major ports	Mn tonnes	33.17	38.12	383.8	276.04	307.54	11.1	11.4
Telecommunications								
a) Net switching capacity	000 lines	454.99	1329.33	6714.1	4574.86	6843.79	31.8	49.6
b) Net Tele. Connections	000 nos	894.33	1928.13	6962.1	5104.15	9938.31	-22.7	94.7
Revenue earning goods traffic on railways	Mn tonnes	53.69	59.14	601.9	438.36	481.09	7.7	9.7
* 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-December, 2005 increased by 9.7 per cent as compared to 7.7 per cent in corresponding period last year.

TRAFFIC ORIGINATING

(Million Tonnes)

	Full Year	December		April-Dec.		% Change
Commodities	2004-05	2004	2005	2004	2005	April-Dec., 2005
1	2	3	4	5	6	7
Coal	271.06	24.56	26.22	198.00	213.61	7.9
Raw material for Steel Plants	44.11	4.25	4.82	31.83	38.77	21.8
Pig Iron & Finished Steel From Steel Plants	14.86	1.29	1.55	10.67	11.90	11.5
Iron Ore for Exports	36.33	2.92	3.75	26.73	31.11	16.4
Cement	54.23	4.59	5.56	39.45	41.46	5.1
Foodgrains	46.19	3.81	3.46	34.41	29.67	-13.8
Fertilizers	28.36	2.65	3.14	21.52	24.50	13.8
POL	32.40	2.72	2.96	23.43	25.04	6.9
Balance other goods	74.35	6.90	7.68	52.32	65.03	24.3
Total	601.89	53.69	5914	438.36	481.09	9.7

MONEY AND BANKING

During the current financial year 2005-06, broad money stock (M3) (up to February 17, 2006) increased by 14.5 per cent as compared with the growth rate of 10.4 per cent (net of conversion) registered during the corresponding period of the last year. The year-on-year growth, as on February 17, 2006, was 16.3 per cent as compared with 13.0 per cent (net of conversion) on the corresponding date of last year.

Net foreign exchange assets (NFA) of banking sector (up to February 17, 2006) registered an increase of 1.9 per cent as compared with a growth of 16.9 per cent in the same period last year. The annual growth rate of NFA, as on February 17, 2006, was 7.4 per cent as against 18.8 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	Feb. 17, 2006	2004-05	2005-06	2005	2006
M3(I+II+III+IV)	2253938	2580002	10.4	14.5	13.0	16.3
	(2250425)					
I. Currency with the public	355768	411448	11.0	15.7	11.7	17.7
II. Demand deposits with banks	284017	353867	6.0	24.6	18.2	29.1
III. Time deposits with banks	1607675	1809783	11.2	12.6	12.4	13.8
	(1604162)					
IV. Other deposits with RBI	6478	4904	-14.8	-24.3	25.8	12.4
Sources (1+2+3+4-5)						
1. Net bank credit to Govt. (A+B)	757906	777319	0.5	2.6	3.3	2.4
	(745713)					
A. RBI's net credit to Govt.	-17975	24754	-	-	-	-
B. Other bank credit to Govt.	775880	752565	9.0	-3.0	9.2	-1.1
2. Bank credit to commercial sector	1280540	1585853	21.4	23.8	25.3	28.5
	(1247658)					
3. Net foreign exchange assets of banking sector	649255	661279	16.9	1.9	18.8	7.4
4. Government's currency liabilities to the public	7448	8618	1.9	15.7	2.0	15.9
5. Banking sector's net non-monetary liabilities other than time deposits	441210	453066	38.5	2.7	39.6	13.9

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

Scheduled Commercial Banks (SCBs) : Business in India

During the current financial year (up to February 17, 2006) incremental gross bank credit increased by 27.1 per cent as compared with a growth of 21.1 per cent (net of conversion) in the same period of the previous year. The year-on-year growth of gross bank credit as on February 17, 2006 was 32.2 per cent as against 25.2 per cent (net of conversion) on the corresponding date of last year.

Non-Food credit during the financial year so far (up to February 17, 2006), registered a growth of 28.2 per cent as compared with 21.4 per cent (net of conversion) during the same period of the last year. The year-on-year growth rate of non-food credit was 33.6 per cent as compared with 25.5 per cent (net of conversion) on the corresponding date of last year.

The year-on-year growth of time deposits with SCBs as on February 17, 2006 was 14.6 per cent as compared with 13.4 per cent (net of conversion) on the corresponding date of last year.

Items	Outstanding as on (Rs. Crore)		% Variations			
			Financial year so far		Year-on-year	
	March 18, 2005	Feb. 17, 2006	2004- 05	2005- 06	2005	2006
1. Bank credit	1100428	1399040	25.9	27.1	30.3	32.2
	(1067747)		(21.1)		(25.2)	
Food credit	41121	40529	15.4	-1.4	17.6	-2.3
Non-Food credit	1059307	1358511	26.3	28.2	30.8	33.6
	(1026626)		(21.4)		(25.5)	
2. Aggregate deposit	1700199	1971063	12.0	15.9	14.5	17.0
	(1696630)		(11.7)		(14.3)	
Demand deposit	248028	317552	7.4	28.0	19.5	31.4
Time deposits	1452171	1653511	12.8	13.9	13.7	14.6
	(1448602)		(12.5)		(13.4)	
3. Investments in Govt. and other approved securities	739154	715540	6.9	-3.2	7.3	-1.2
	(726961)		(5.0)		(5.4)	
Government securities	718982	692323	7.5	-3.7	8.0	-1.6
	(706789)		(5.5)		(6.0)	
Other approved securities	20172	23217	-10.3	15.1	-11.9	13.4

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 February 17, 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 5.00/7.50 per cent as compared with 3.00/5.30 per cent on the corresponding date of last year.

Item/week ended	2005	2006
	Feb. 18	Feb. 17
1	2	3
Bank Rate	6.00	6.00
IDBI ¹	10.25	10.25
Prime Lending Rate ²	10.25-10.75	10.25-10.75
Deposit Rate ³	5.25-6.25	5.75-6.50
Fixed Repo Rate of RBI	6.00	6.50
Fixed Reverse Repo Rate of RBI	4.75	5.50
Call Money Rate ⁴ (Low/High)		
Borrowings	3.00/5.30	5.00/7.50
Lending	3.00/5.30	5.00/7.50

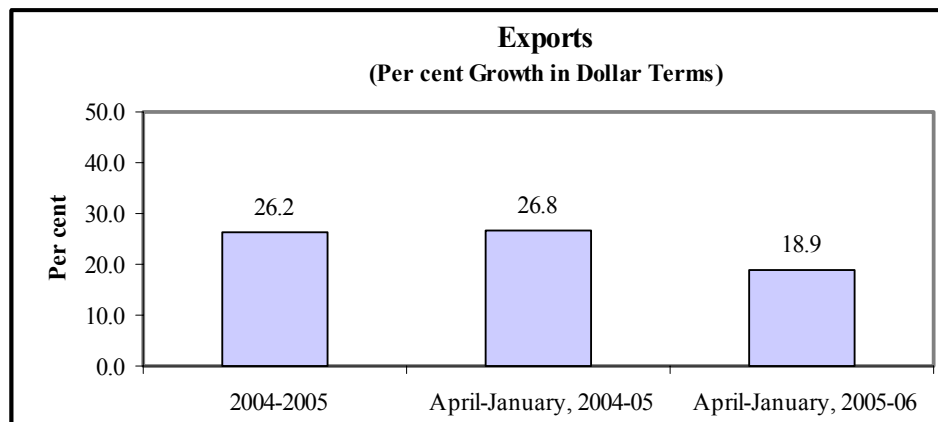
1. Minimum Term Lending Rate (MTLR)
2. Prime Lending Rate relates to five major Banks
3. Deposit Rate relates to major banks for term deposits of more than one-year maturity.
4. Call money rates are based on data covering 90-95 per cent of total transactions reported by major participants.

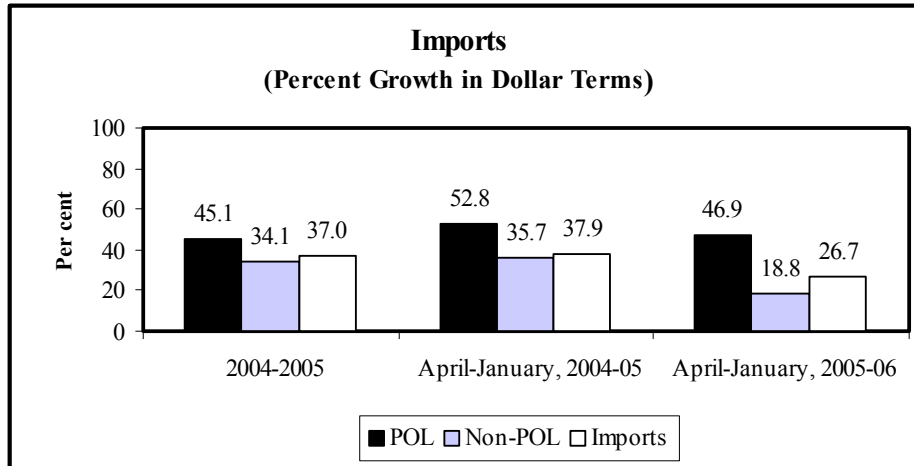
FOREIGN TRADE

Exports in dollar terms during April-January, 2005-06 increased by 18.9 percent as compared to an increase of 26.8 percent in April-January, 2004-05. Imports increased by 26.7 percent in April-January, 2005-06 as against an increase of 37.9 percent in corresponding period last year.

Item			April-Jan. (P)		April-Jan. % Change	
	2003-04(R)	2004-05 (P)	2004-05	2005-06	2004-05	2005-06
Rs. Crore						
Exports	293367	361879	284828	331771	24.2	16.5
Imports	359108	490532	387726	481339	35.0	24.1
POL	94520	134094	108543	156149	49.7	43.9
Non-POL	264588	356437	279183	325190	33.0	16.3
Trade Balance	-65741	-128653	-102898	-149568	-	-
Million Dollars						
Exports	63843	80540	63076	74978	26.8	18.9
Imports	78149	109173	85897	108803	37.9	26.7
POL	20569	29844	24024	35292	52.8	46.9
Non-POL	57580	77222	61873	73510	35.7	18.8
Trade Balance	-14306	-28633	-22821	-33825	-	-
(R) : Revised (P) Provisional						

Source: 1. For 2003-04 (R) and 2004-05 (P), DGCI&S.
2. April-January data is as per Ministry of Commerce & Industry Monthly Press Note.





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
May	580749	132925	-12674	-3025
June	575864	132352	-4885	-573
July	585319	134587	9455	2235
August	608225	138107	22906	3520
September	602309	136920	-5916	-1187
October	619299	137286	16990	366
November	627455	136582	8156	-704
December	590497	131018	-36958	-5564
January	589526	133770	-971	2752
February	603925	135897	14399	2127
* Provisional				

Source : RBI.

EXTERNAL ASSISTANCE AND DEBT SERVICE PAYMENTS

Gross external aid during April-January, 2005-06 at Rs 13569.52 crore was 13.0 percent higher than that of Rs 12011.59 crore in April-January, 2004-05. Net Disbursements were Rs. 6766.13 crore as compared with Rs. 5044.71 crore during same period last year. Net Aid Transfers were Rs. 3798.54 crore as compared with Rs. 2291.73 crore during corresponding period last year.

EXTERNAL ASSISTANCE AND DEBT 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	9382.05	10815.45	6010.30	5899.74	2314.51	2552.45
External Assistance - Non-Govt A/C	974.72	693.66	956.58	903.65	438.47	415.14
Govt. Grant	1606.45	2014.41	-	-	-	-
Non-Govt Grant	48.37	46.00	-	-	-	-
Grand Total	12011.59	13569.52	6966.88	6803.39	2752.98	2967.59
Net Disbursement	5044.71	6766.13	-	-	-	-
Net Transfers	2291.73	3798.54	-	-	-	-

* April-January

Rupees Per Unit of Foreign Currency

The average market exchange rate of the Rupee during February, 2006 appreciated against US Dollar, Pound Sterling, Japanese Yen and Euro as compared with average market exchange rate of the Rupee during January, 2006.

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
March, 2005	43.69	83.25	0.4152	57.66
2005-2006				
April	43.74	82.92	0.4080	56.62
May	43.49	80.82	0.4080	55.26
June	43.58	79.31	0.4013	53.04
July	43.54	76.36	0.3892	52.45
August	43.63	78.15	0.3939	53.59
September	43.92	79.47	0.3955	53.83
October	44.82	79.08	0.3904	53.91
November	45.73	79.32	0.3861	53.93
December	45.64	79.70	0.3851	54.12
January	44.40	78.27	0.3843	53.75
February	44.33	77.56	0.3763	52.99

@ FEDAI Rates

INFLATION

The annual rate of inflation based on Wholesale Price Index (WPI) stood at 4.02 per cent for week ended March 4, 2006 compared with 5.46 per cent a year ago. This rate was contributed by an increase of 5.11 per cent in Primary Articles, 7.88 per cent increase in Fuel, Power, Lights and Lubricants and 2.07 per cent increase in Manufactured Products as against an increase of 1.94 per cent, 10.21 per cent and 5.11 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)	
		Last year	Current year	(ending 4-3-2006)	
		Last year	Current year	Last year	Current year
All Commodities	100.00	0.37	0.31	5.46	4.02
1.Primary articles	22.03	0.00	0.10	1.94	5.11
2. Fuel, Power, Light and Lubricants	14.23	-0.10	0.19	10.21	7.88
3. Manufactured Products	63.75	0.72	0.41	5.11	2.07

CONSUMER PRICE INDEX

All India Consumer Price Index for Industrial Workers (CPI-IW) for January, 2006 stood at 549 (declined by 0.2 per cent over previous month's level of 550). The level of CPI-IW of January, 2006 was higher than the level of January, 2005 by 4.37 per cent.

CONSUMER PRICE INDEX AND INFLATION RATE (%)		
(Base : 1982=100)		
	2004-05 (Jan., 2005)	2005-06 (Jan., 2006)
Annual Inflation	4.37	4.37
Financial Year Inflation	4.4	4.6
% Change over last month	1.0	-0.2
Level of Index	526	549
Average of Index for 12 months ending January	516.00	537.92

PUBLIC FINANCE

Trends in Central Government Finances: April-January 2005-06

	Budget Estimates 2005-06	April-January		Col.3 as % of 2004-05 BE	Col. 4 as % of 2005-06 BE	% Change over proceeding year	
		2004-05	2005-06			2004-05	2005-06 (4/3)
	(Rs. Crore)						
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1. Revenue Receipts	351200	210267	245716	68.0	70.0	11.3	16.9
Gross tax revenue	370025	213428	257558	67.2	69.6	18.0	20.7
Tax (net to Centre)	273466	154663	188627	66.1	69.0	17.8	22.0
Non Tax	77734	55604	57089	73.7	73.4	-3.7	2.7
2. Capital Receipts	163144	158073	131748	93.8	80.8	-3.4	-16.7
of which:							
Recovery of loans	12000	51366	8443	189.5	70.4	-14.4	-83.6
Other Receipts	0	2906	1578	72.7		83.1	-45.7
Borrowings and other liabilities	151144	103801	121727	75.5	80.5	1.7	17.3
3. Total Receipts (1+2)	514344	368340	377464	77.1	73.4	4.4	2.5
4. Non-Plan Expenditure (a)+(b)	370847	279193	276108	84.0	74.5	5.1	-1.1
(a) Revenue Account	330530	231768	257767	78.9	78.0	5.6	11.2
Of which:							
Interest payments	133945	99588	101782	76.9	76.0	6.1	2.2
Major Subsidies	46098	37114	38784	88.3	84.1	-4.0	4.5
Pensions	19542	14067	16506	88.3	84.5	16.1	17.3
(b) Capital Account	40317	47425	18341	122.9	45.5	2.7	-61.3
5. Plan Expenditure (i)+(ii)	143497	89147	101356	61.2	70.6	2.5	13.7
(i) Revenue Account	115982	58121	80285	63.3	69.2	3.9	38.1
(ii) Capital Account	27515	31026	21071	57.7	76.6	0.1	-32.1
6. Total Expenditure (4)+(5)=(a)+(b)	514344	368340	377464	77.1	73.4	4.4	2.5
(a) Revenue Expenditure	446512	289889	338052	75.2	75.7	5.2	16.6
(b) Capital Expenditure	67832	78451	39412	85.0	58.1	1.6	-49.8
7. Revenue Deficit	95312	79622	92336	104.5	96.9	-7.9	16.0
8. Fiscal Deficit	151144	103801	121727	75.5	80.5	1.7	17.3
9. Primary Deficit	17199	4213	19945	53.3	116.0	-48.5	373.4

Source : Controller General of Accounts, MOF, GOI.