

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

**MONTHLY ECONOMIC REPORT
JULY, 2005**

HIGHLIGHTS

- The monsoon season rainfall from June 1, 2005 to July 20, 2005 was normal/excess in 81 per cent of meteorological sub-divisions.
- Food grain stocks were 27.33 million tonnes as on June 1, 2005
- Overall industrial growth was 9.6 per cent during April-May, 2005 as compared with 7.9 per cent in April-May, 2004.
- Core infrastructure sectors achieved an average growth rate of 5.5 per cent during April-June, 2005 as compared with 8.1 per cent in April-June, 2004.
- Broad Money (M3) growth (year-on-year) was 14.0 per cent (net of conversion, 13.9 per cent) as on July 8, 2005 as compared with 15.3 per cent last year.
- Exports grew by 19.5 per cent in dollar terms during April-June, 2005 as compared with 35.6 per cent in corresponding period last year. Imports grew by 38.0 per cent in April-June, 2005 as compared with 36.6 per cent in April-June, 2004.
- Forex reserves (excluding Gold and SDRs) stood at \$132.35 billion at the end of June, 2005.
- Rupee appreciated against Pound Sterling, Euro and Japanese Yen and depreciated against US Dollar in June, 2005.
- The annual inflation rate in terms of WPI (Base 1993-94=100) was 4.18 per cent for the week ended July 16, 2005 as compared with 7.61 per cent a year ago.
- Tax revenue (net to Centre) during April-May, 2005 was higher by 83.5 per cent compared with a decline of 2.4 per cent in corresponding period last year.
- In terms of value, Fiscal deficit during April-May, 2005 was higher by 22.1 per cent over corresponding period last year.
- In terms of value, Revenue deficit April-May, 2005 was higher by 0.8 per cent over corresponding period last year.

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

AGRICULTURE

MONSOON SEASON RAINFALL*

The monsoon season rainfall from June 1, 2005 to July 20, 2005 was normal/excess in 29 meteorological sub-divisions (81 per cent) and deficient/scanty in the remaining 7 (19 per cent). The annual average for 2000-2004 was normal/excess in 24 (68 per cent) meteorological sub-divisions and deficient/scanty in the remaining 12 (32 per cent).

Number of Meteorological Sub-divisions							
	2000	2001	2002	2003	2004	2000-2004+	2005
Excess/Normal	30	28	14	31	19	24	29
Deficient/Scanty/Nil	6	8	22	5	17	12	7
Total	36	36	36	36	36	36	36

* (June-September)

+ Annual Average

PROCUREMENT

Wheat procurement up to July 26, 2005 in the current marketing year (i.e. 2005-06) was lower by 12.0 per cent at 14.79 million tonnes compared with 16.80 million tonnes in the corresponding period of 2004-05. Procurement of rice during the marketing year 2004-05 (up to July 26, 2005) at 23.30 million tonnes was higher by 5.7 per cent than the level of 22.05 million tonnes during the corresponding period of 2003-04.

	Full Marketing Year				Up to July 26		% 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	-	22.05	23.30	5.7
Wheat(Apr-Mar)	20.63	19.06	15.80	16.80	16.80	14.79	-12.0
Total	41.91	35.47	38.63	16.80	38.85	38.09	-2.0

OFF-TAKE

Off-take from the Public Distribution System from Central Pool during April-May, 2005 was 5.73 million tonnes which was lower by 2.7 per cent than the off-take of 5.89 million tonnes during April-May, 2004.

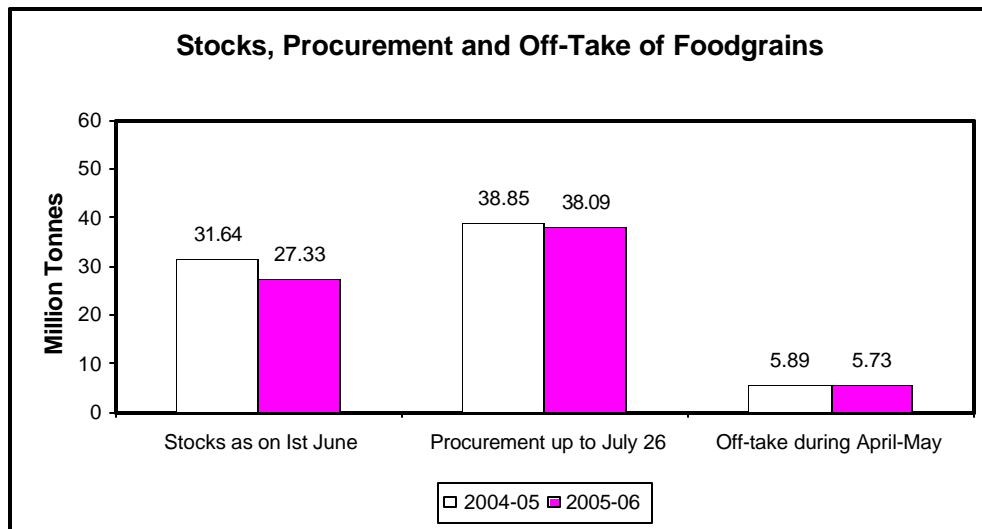
	2002-03(P)	2003-04(P)	2004-05(P)	April-May (P)	
	3	4	5	2004	2005
1	3	4	5	5	6
Rice	24.64	25.04	22.98	3.39	3.28
Wheat	24.99	24.29	18.27	2.50	2.45
Total	49.63	49.33	41.25	5.89	5.73

P : Provisional

STOCKS

Stocks of foodgrains as on June 1, 2005 was 27.33 million tonnes, which was lower by 13.6 per cent than the level of 31.64 million tonnes as on June 1, 2004.

	As on May 1		As on June 1	
	2004	2005	2004	2005
Million Tonnes				
Rice	12.72	13.03	12.25	11.59
Wheat	19.03	15.05	19.39	15.74
Total	31.75	28.08	31.64	27.33

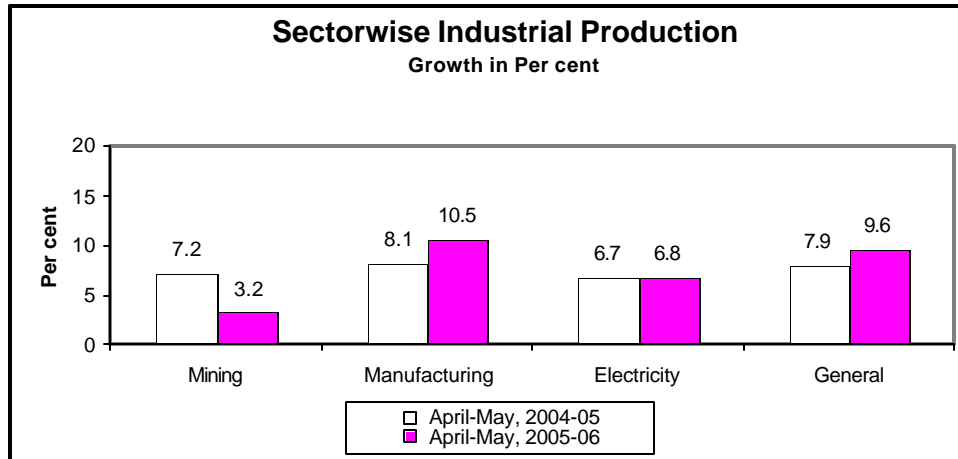


INDEX OF INDUSTRIAL PRODUCTION

The overall growth rate of index of industrial production (IIP) during April-May, 2005 was 9.6 percent as compared to 7.9 percent in April-May, 2004. The growth rates achieved by the mining, manufacturing and electricity sectors during April-May, 2005 was 3.2 percent, 10.5 percent and 6.8 percent respectively as compared to 7.2 percent, 8.1 percent and 6.7 percent during corresponding period last year.

As per the use-based classification, production in April-May, 2005 of basic goods, capital goods and consumer goods (both durables and non-durables) registered higher growth and intermediate goods showed lower growth as compared to April-May, 2004.

SECTORWISE INDEX OF INDUSTRIAL PRODUCTION						
(Base: 1993-94=100)						
	2003-04	2004-05	May '04	May '05	(Percentage change)	
					April-May	
					2004-05	2005-06
General	7.0	8.2	6.8	10.8	7.9	9.6
Mining	5.2	4.4	5.3	3.7	7.2	3.2
Manufacturing	7.4	9.0	7.5	11.5	8.1	10.5
Electricity	5.1	5.2	3.1	10.6	6.7	6.8
Use-Based Classification						
Basic goods	5.4	5.5	3.0	8.1	5.4	7.0
Capital goods	13.6	13.3	13.0	19.2	11.6	18.9
Intermediate goods	6.4	5.9	13.0	2.3	12.7	2.1
Consumer goods	7.1	11.5	3.9	18.9	5.3	16.5
<i>Of which</i>						
Consumer durables	11.6	14.3	8.3	19.5	10.0	19.2
Consumer non-durables	5.8	10.6	2.5	18.7	3.7	15.6



INFRASTRUCTURE

The six core infrastructure industries registered a lower growth of 5.5 per cent during April-June, 2005 as compared to 8.1 per cent in corresponding period last year.

PRODUCTION IN INFRASTRUCTURE INDUSTRIES								
		June		Full Yr.	April-June		% Change	
							April-June	
Industry/Infrastructure	Unit	2004	2005	2004-05	2004-05	2005-06	2004-05	2005-06
Coal	Mn tons	27.6	28.5	375.0	83.4	89.6	5.6	7.4
Electricity Generation	Mn kw	46570	50914	587366	143481	154270	6.1	7.5
Hydel	Mn kw	7591	7735	84497	19154	22461	17.8	17.2
Thermal (including nuclear)	Mn kw	38979	43052	502869	124327	131491	4.5	5.8
Crude petroleum	000 tons	2783	2794	33981	8483	8426	6.1	-0.7
Petroleum Products	000 tons	10002	9891	118216	29930	28462	12.2	-4.9
Finished steel	000 tons	2876	3506	38325	9557	10196	13.4	6.7
Cement	000 tons	10300	11670	131559	32390	35870	3.2	10.7
Average growth rate*	(%)	2.4	10.2	4.4	-	-	8.1	5.5
		May		Full Yr.	April-May		April-May	
Cargo handled at major ports	Mn tons	30.0	35.2	383.8	58.4	68.1	8.0	16.6
Telecommunications								
a) Net switching capacity	000 lines	843.1	324.6	6714.1	874.6	509.0	752.2	-41.8
b) Net Tele. Connections	000 nos	481.1	646.2	6962.1	853.7	351.7	-	-7.0
Revenue earning goods traffic on railways	Mn tons	48.79	55.26	601.9	94.4	107.6	6.2	14.0
* 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 April-May, 2005 increased by 14.0 per cent as compared to 6.2 per cent in corresponding period last year.

(Million Tonnes)

1	2	3	4	5	6	7
	Full Year	May		April-May		% Change
Commodities	2004-05	2004	2005	2004	2005	April-May, 2005
Coal	271.06	22.19	24.0	42.83	47.82	11.7
Raw material for Steel Plants	44.11	3.26	4.24	6.52	8.18	25.5
Pig Iron & Finished Steel From Steel Plants	14.86	1.01	1.24	2.02	2.39	18.3
Iron Ore for Exports	36.33	2.62	3.39	5.32	6.41	20.5
Cement	54.23	4.66	5.11	9.30	10.10	8.6
Foodgrains	46.19	3.87	3.97	7.43	7.76	4.4
Fertilizers	28.36	2.27	2.50	4.02	4.26	6.0
POL	32.40	2.85	2.70	5.20	5.26	1.2
Balance other goods	74.35	6.06	8.11	11.70	15.40	31.6
Total	601.89	48.79	55.26	94.34	107.58	14.0

MONEY AND BANKING

During the current financial year 2005-06, broad money stock (M3) (up to July 8, 2005) increased by 5.4 per cent as compared with the growth rate of 3.9 per cent registered during the corresponding period of the last year. The year-on-year growth as on July 8, 2005 was 14.0 per cent (exclusive of conversion, 13.9 per cent) as compared with 15.3 per cent on the corresponding date of last year.

Net foreign exchange assets (NFA) of banking sector (up to July 8, 2005) registered a decline of 3.4 per cent as compared with a growth of 10.3 per cent in the same period last year. The annual growth rate of NFA, as on July 8, 2005 was 8.0 per cent as against 37.9 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	July 8, 2005	2004-05	2005-06	2004 (Jul 9)	2005 (Jul 8)
M3(I+II+III+IV)	2253938	2375338	3.9	5.4	15.3	14.0
	(2250369)	(2371769)				(13.9)
I. Currency with the public	355768	376252	5.2	5.8	14.0	13.6
II. Demand deposits with banks	284017	296860	-7.4	4.5	18.8	24.0
III. Time deposits with banks	1607675	1696870	5.7	5.5	15.1	12.5
	(1604106)	(1693301)				(12.3)
IV. Other deposits with RBI	6478	5357	-9.3	-17.3	24.8	15.4
Sources (1+2+3+4 -5)						
1. Net bank credit to Govt. (A+B)	757906	767301	2.2	1.2	5.4	1.1
	(745713)	(755108)				(-0.5)
A. RBI's net credit to Govt.	-17975	-5259	-	-	-	-
B. Other bank credit to Govt.	775880	772560	8.6	-0.4	21.9	1.9
2. Bank credit to commercial sector	1280540	1356294	4.1	5.9	17.7	28.3
	(1247858)	(1323612)				(25.2)
3. Net foreign exchange assets of banking sector	649255	626926	10.3	-3.4	37.9	8.0
4. Government's currency liabilities to the public	7448	7495	0.5	0.6	2.5	2.2
5. Banking sector's net non-monetary liabilities other than time deposits	441210	382680	11.8	-13.3	33.5	19.1

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 July 8, 2005) incremental gross bank credit increased by 6.6 per cent (exclusive of conversion, 6.8 per cent) as compared with a growth of 5.0 per cent in the same period of the previous year. The year-on-year growth of gross bank credit as on July 8, 2005 was 32.9 per cent (exclusive of conversion, 29.2 per cent) as against 21.6 per cent on the corresponding date of last year.

Non-Food credit during the financial year so far (up to July 8, 2005), registered a growth of 6.5 per cent (exclusive of conversion, 6.7 per cent) as compared with 4.3 per cent during the same period of the last year. The year-on-year growth rate of non-

food credit was 34.5 per cent (exclusive of conversion, 30.6 per cent) as compared with 23.0 per cent on the corresponding date of last year.

The year-on-year growth of time deposits with SCBs as on July 8, 2005 was 13.4 per cent (exclusive of conversion, 13.2 per cent) as compared with 16.1 per cent on the corresponding date of last year.

Items	Outstanding as on (Rs. Crore)		% Variations			
	March 18, 2005	July 8, 2005	Financial year so far		Year-on-year	
			2004- 05	2005- 06	2004	2005
1. Bank credit	1100429	1173221	5.0	6.6	21.6	32.9
	(1067747)	(1140539)		(6.8)		(29.2)
Food credit	41121	44817	20.8	9.0	-0.3	3.1
Non-Food credit	1059308	1128404	4.3	6.5	23.0	34.5
	(1026626)	(1095722)		(6.7)		(30.6)
2. Aggregate deposit	1700199	1803659	4.2	6.1	16.5	15.1
	(1696630)	(1800090)		(6.1)		(14.9)
Demand deposit	248028	261414	-7.7	5.4	19.7	25.9
Time deposits	1452171	1542245	6.3	6.2	16.1	13.4
	(1448602)	(1538676)		(6.2)		(13.2)
3. Investments in Govt. and other approved securities	739154	738403	7.7	-0.1	19.9	1.1
	(726961)	(726210)		(-0.1)		(-0.5)
Government securities	718982	713431	8.0	-0.8	20.9	0.9
	(706789)	(701238)		(-0.8)		(-0.9)
Other approved securities	20172	24972	-0.8	23.8	-6.1	10.3

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 July 8, 2005 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 4.10/6.05 per cent as compared with 3.00/4.51 per cent on the corresponding date of last year.

Item/week ended	2004	2005
	July 9	July 8
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	3.00/4.51	4.10/6.05
Lending	2.19/7.30	4.10/6.05

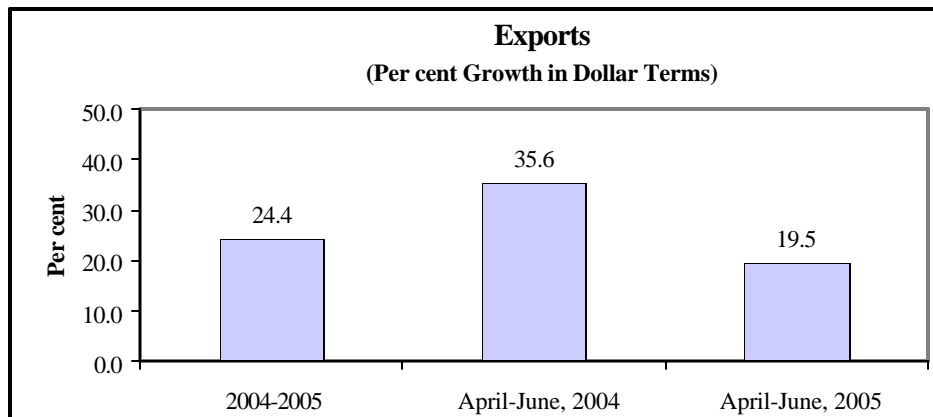
1. Minimum Term Lending Rate (MTLR)
2. Prime Lending Rate relates to five major Banks
3. Deposit Rate relates to major banks for term deposits of more than one year maturity.
4. Call money rates are based on data covering 90-95 per cent of total transactions reported by major participants.

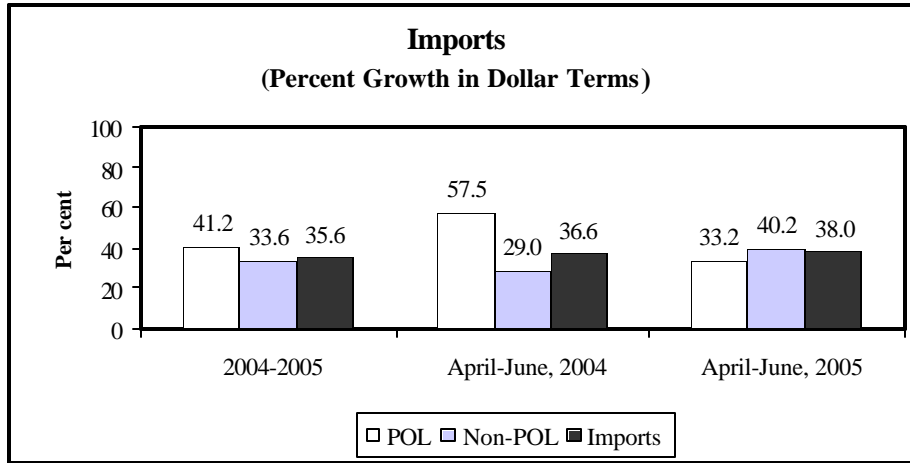
FOREIGN TRADE

Exports in dollar terms during April-June, 2005 increased by 19.5 percent as compared to an increase of 35.6 percent in April-June, 2004. Imports increased by 38.0 percent in April-June, 2005 as against an increase of 36.6 percent in corresponding period last year.

Item	2003-04(R)	2004-05 (P)	April-June		% Change	
			2004-05	2005-06	2004-05	2005-06
Rs. Crore						
Exports	293367	357077	78527	91126	29.4	16.0
Imports	359108	476202	105402	141093	30.5	33.9
POL	94520	130683	32361	41853	50.3	29.3
Non-POL	264588	345519	73041	99240	23.3	35.9
Trade Balance	-65741	-119125	-26875	-49967	-	-
Million Dollars						
Exports	63843	79594	17483	20900	35.6	19.5
Imports	78149	106121	23446	32360	36.6	38.0
POL	20569	29085	7208	9598	57.5	33.2
Non-POL	57580	77036	16238	22762	29.0	40.2
Trade Balance	-14306	-26528	-5962	-11460	-	-

(R) : 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
May	580749	132925	-12674	-3025
June*	575864	132352	-4885	-573

* Provisional

EXTERNAL ASSISTANCE AND DEBT SERVICE PAYMENTS

Gross external aid during April-June, 2005 at Rs 3005.69 crore was 17.7 percent higher than that of Rs 2553.85 crore in April-June, 2004. Net Aid flows were Rs. 1107.69 crore as compared with Rs. 521.65 crore during same period last year and Net Aid Transfers were Rs. 328.43 crore as compared with Rs. (-) 289.11 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	2017.15	2463.00	1616.66	1581.28	624.36	641.76
External Assistance - Non-Govt A/C	253.40	79.68	415.54	316.72	186.40	137.50
Govt. Grant	264.14	458.17	-	-	-	-
Non-Govt Grant	19.16	4.84	-	-	-	-
Grand Total	2553.85	3005.69	2032.20	1898.00	810.76	779.26
Net Disbursement	521.65	1107.69	-	-	-	-
Net Transfers	-289.11	328.43				

* April-June

Rupees Per Unit of Foreign Currency

The average market exchange rate of the Rupee during June, 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 May, 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
May	43.49	80.82	0.4080	55.26
June	43.58	79.31	0.4013	53.04

@ FEDAI Rates

INFLATION

The annual rate of inflation based on Wholesale Price Index (WPI) stood at 4.18 per cent for week ended July 16, 2005 compared with 7.61 per cent a year ago. This rate was contributed by an increase of 1.37 per cent in Primary Articles, 10.74 per cent increase in Fuel, Power, Lights and Lubricants and 2.89 per cent increase in Manufactured Products as against an increase of 5.22 per cent, 10.14 per cent and 7.59 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 16-7-2005)	Current year
All Commodities	100.00	0.70	0.78	7.61	4.18
1.Primary articles	22.03	-0.32	0.89	5.22	1.37
2. Fuel, Power, Light and Lubricants	14.23	1.10	2.67	10.14	10.74
3. Manufactured Products	63.75	0.91	0.00	7.59	2.89

CONSUMER PRICE INDEX

All India Consumer Price Index for Industrial Workers (CPI-IW) for May, 2005 which stood at 527, decreased by 0.4 per cent over previous month's level of 529. The level of CPIIW of May 2005 was higher than the level of May 2004 by 3.7 per cent.

CONSUMER PRICE INDEX AND INFLATION RATE (%)		
	2004-05 (Up to May, 2004)	2005-06 (Up to May, 2005)
Annual Inflation	2.8	3.7
Financial Year Inflation	0.8	0.4
% Change over last month	0.8	-0.4
Level of Index	508	527
Average of Index for 12 months ending May	502.42	523.17

PUBLIC FINANCE

Trends in Central Government Finances: April-May 2005

	Budget	April-May		Col.3 as	Col. 4 as	% Change over	
	Estimates	2004-05	2005-06	% of	% of	proceeding year	
2005-06	2004-05			2005-06	2004-05	2005-06	2004-05
	(Rs. Crore)						
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1. Revenue Receipts	351200	7909	11944	2.7	3.4	6.4	51.0
Gross tax revenue	370025	17297	22415	5.8	6.1	20.3	29.6
Tax (net to Centre)	273466	4720	8659	2.1	3.2	-2.4	83.5
Non Tax	77734	3189	3285	4.5	4.2	22.6	3.0
2. Capital Receipts	163144	52461	47793	31.5	29.3	37.2	-8.9
of which:							
Recovery of loans	12000	13377	189	94.9	1.6	227.9	-98.6
Other Receipts	0	102	1	0.6		--	-99.0
Borrowings and other liabilities	151144	38982	47603	28.6	31.5	14.2	22.1
3. Total Receipts (1+2)	514344	60370	59737	13.2	11.6	32.2	-1.0
4. Non-Plan Expenditure (a)+(b)	370847	46786	46788	14.5	12.6	26.3	0.0
(a) Revenue Account	330530	42556	45268	14.4	13.7	22.6	6.4
<i>Of which:</i>							
Interest payments	133945	19860	21167	15.3	15.8	39.9	6.6
Major Subsidies	46098	8800	7196	20.0	15.6	19.7	-18.2
Pensions	19542	1558	2001	9.8	10.2	42.0	28.4
(b) Capital Account	40317	4230	1520	15.7	3.8	81.5	-64.1
5. Plan Expenditure (i)+(ii)	143497	13584	12949	10.1	9.0	57.3	-4.7
(i) Revenue Account	115982	9165	10830	10.7	9.3	81.3	18.2
(ii) Capital Account	27515	4419	2119	8.9	7.7	23.4	-52.0
6. Total Expenditure (4)+(5)=(a)+(b)	514344	60370	59737	13.2	11.6	32.2	-1.0
(a) Revenue Expenditure	446512	51721	56098	13.6	12.6	30.1	8.5
(b) Capital Expenditure	67832	8649	3639	11.3	5.4	46.3	-57.9
7. Revenue Deficit	95312	43812	44154	48.8	46.3	35.5	0.8
8. Fiscal Deficit	151144	38982	47603	28.6	31.5	14.2	22.1
9. Primary Deficit	17199	19122	26436	275.1	153.7	-4.1	38.2

