

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

**MONTHLY ECONOMIC REPORT
JULY, 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 August 2, 2006 was normal/excess in 72 per cent of meteorological sub-divisions.
- Food grain stocks were 21.27 million tonnes as on June 1, 2006.
- Overall industrial growth was 10.1 per cent during April-June, 2006 as compared with 10.4 per cent in April-June, 2005.
- Core infrastructure sectors achieved an average growth rate of 6.3 per cent during April-June, 2006 as compared with 7.5 per cent in April-June, 2005.
- Broad Money (M3) growth (year-on-year) was 19.5 per cent as on July 21, 2006 as compared with 14.0 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 \$157.25 billion at the end of July, 2006.
- Rupee appreciated against Japanese Yen and depreciated against US Dollar, Pound Sterling and Euro in July, 2006.
- The annual inflation rate in terms of WPI (Base 1993-94=100) was 4.82 per cent for the week ended August 5, 2006 as compared with 3.78 per cent a year ago.
- Tax revenue (net to Centre) during April-June, 2006 was higher by 40.4 per cent compared with an increase of 30.3 per cent in corresponding period last year.
- In terms of value, Fiscal deficit during April-June, 2006 was higher by 42.6 per cent over corresponding period last year.
- In terms of value, Revenue deficit during April-June, 2006 was higher by 49.4 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)	Q4	Q1	Q2			
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 <i>Source: Central Statistical Organisation.</i>											

AGRICULTURE

MONSOON SEASON RAINFALL*

In the monsoon season (June-September), the rainfall from June 1, 2006 to August 2, 2006 was normal/excess in 26 meteorological sub-divisions (72 per cent) and deficient/scanty in the remaining 10 (28 per cent). The annual average for 2001-2005 was normal/excess in 26 (72 per cent) meteorological sub-divisions and deficient/scanty in the remaining 10 (28 per cent).

Number of Meteorological Sub-divisions							
	2001	2002	2003	2004	2005	2001-2005+	2006
Excess/Normal	27	16	32	24	31	26	26
Deficient/Scanty/Nil	9	20	4	12	5	10	10
Total	36	36	36	36	36	36	36

(June- September) + Annual Average

PROCUREMENT

Wheat procurement as on June 1, 2006 in the current marketing year (i.e. 2006-07) declined by 37.4 per cent at 9.22 million tonnes as compared with 14.72 million tonnes in the corresponding period of 2005-06. Procurement of rice during the marketing year 2005-06 (as on June 1, 2006) at 25.05 million tonnes was higher by 13.5 per cent than the level of 22.07 million tonnes during the corresponding period of 2004-05.

	Full Marketing Year				As on 1 June		% 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	-	22.07	25.05	13.5
Wheat(Apr-Mar)	19.06	15.80	16.80	14.79	14.72	9.22	-37.4
Total	35.47	38.63	41.01	14.79	36.79	34.27	-6.8

OFF-TAKE

Off-take from the Public Distribution System from Central Pool during April-May, 2006 was 5.76 million tonnes as against 6.75 million tonnes during April-May, 2005.

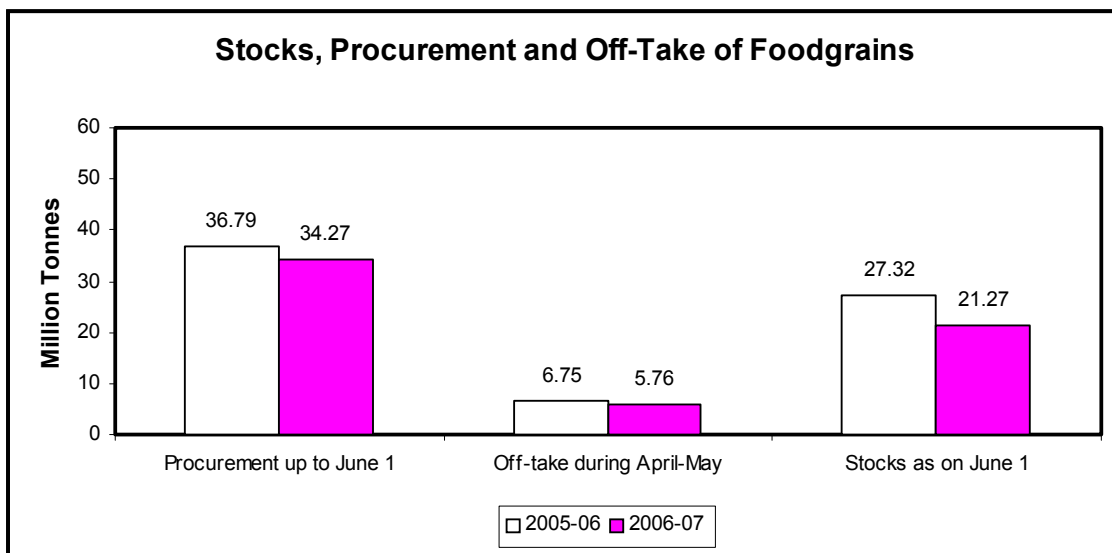
	2003-04(P)	2004-05(P)	2005-06(P)	April-May	
				2005	2006
Million Tonnes					
1	2	3	4	5	6
Rice	25.04	23.20	24.74	3.99	3.69
Wheat	24.29	18.27	17.16	2.76	2.07
Total	49.33	41.47	41.90	6.75	5.76

P : Provisional

STOCKS

Stocks of foodgrains as on June 1, 2006 was 21.27 million tonnes, which was lower by 22.2 per cent than the level of 27.32 million tonnes as on June 1, 2005.

	As on June 1	
	2005	2006
Rice	11.59	11.95
Wheat	15.74	9.32
Total	27.32	21.27



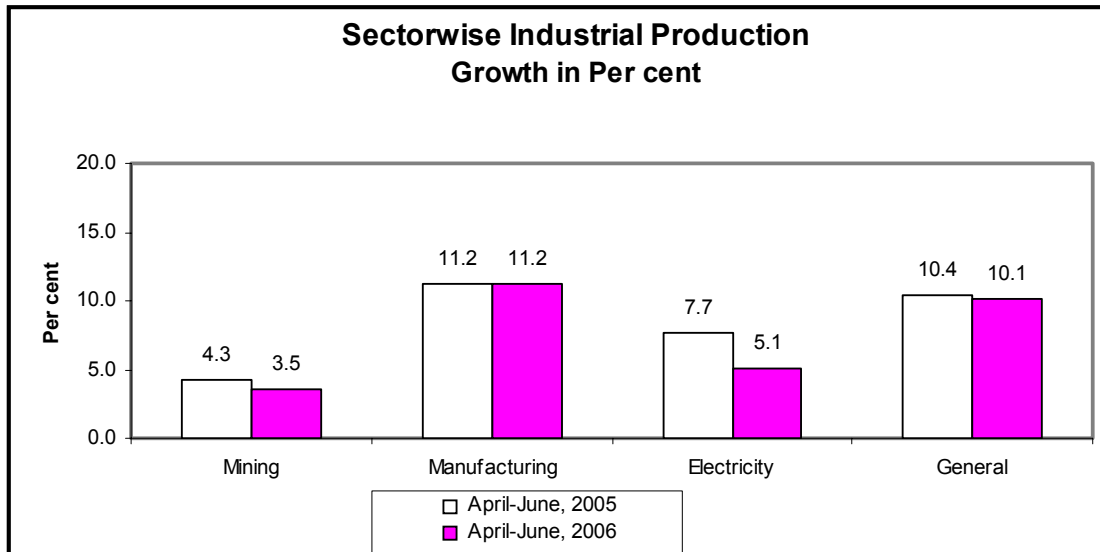
[Rice–Kharif marketing year (October-September)]
[Wheat – Rabi marketing year (April-March)]

INDEX OF INDUSTRIAL PRODUCTION

The overall growth rate of index of industrial production (IIP) during April-June, 2006 was 10.1 percent as compared to 10.4 percent in April-June, 2005. The growth rate achieved by the mining, manufacturing and electricity sectors during April-June, 2006 was 3.5 percent, 11.2 percent and 5.1 percent respectively as compared to 4.3 percent, 11.2 percent and 7.7 percent during corresponding period last year.

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

SECTORWISE INDEX OF INDUSTRIAL PRODUCTION						
(Base: 1993-94=100)						
(Percentage change)						
	2004-05	2005-06	Jun '05	Jun '06	April-June	
					2005-06	2006-07
General	8.4	8.1	12.2	9.6	10.4	10.1
Mining	4.4	0.9	4.8	4.8	4.3	3.5
Manufacturing	9.2	9.1	13.2	10.5	11.2	11.2
Electricity	5.2	5.2	9.6	4.5	7.7	5.1
Use-Based Classification						
Basic goods	5.5	6.6	8.6	8.4	7.8	8.8
Capital goods	13.9	15.8	13.5	23.7	13.8	22.9
Intermediate goods	6.1	2.4	4.2	9.9	3.6	9.1
Consumer goods	11.7	12.0	23.7	5.9	18.4	8.2
<i>Of which</i>						
Consumer durables	14.4	14.9	12.8	19.9	16.3	16.5
Consumer non-durables	10.8	11.1	27.5	1.5	19.2	5.4

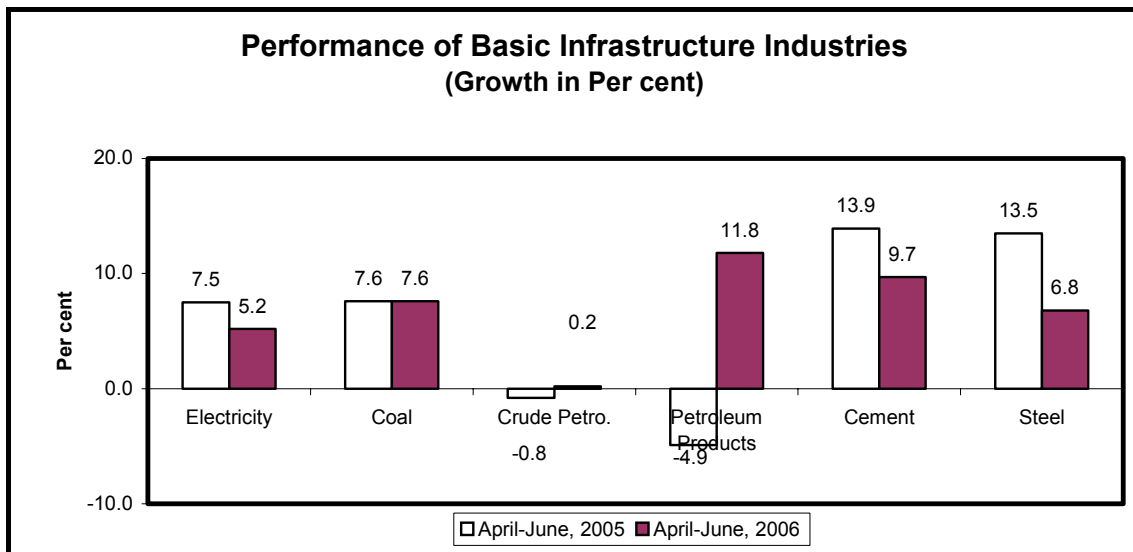


INFRASTRUCTURE

The six core infrastructure industries registered a growth of 6.3 per cent during April-June, 2006 as compared to 7.5 per cent in corresponding period last year.

PRODUCTION IN INFRASTRUCTURE INDUSTRIES								
Industry/Infrastructure	Unit	June		Full Yr.	April-June		% Change	
		2005	2006	2005-06	2005-06	2006-07	2005-06	2006-07
Coal	Mn tonnes	28.5	32.0	401.5	89.8	96.6	7.6	7.6
Electricity Generation	Mn kwh	50949	53254	617382	154305	162272	7.5	5.2
Crude petroleum	000 tonnes	2792	2825	32196	8416	8434	-0.8	0.2
Petroleum Products	000 tonnes	9896	10928	120747	28466	31830	-4.9	11.8
Finished steel	000 tonnes	3351	3538	42650	9953	10634	13.5	6.8
Cement	000 tonnes	12010	13356	147806	36880	40447	13.9	9.7
Average growth rate*		8.3	6.2	5.0	-	-	7.5	6.3

* 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 July 21, 2006) increased by 4.0 per cent as compared with the growth rate of 1.8 per cent registered during the corresponding period of the last year. The year-on-year growth, as on July 21, 2006, was 19.5 per cent as compared with 14.0 per cent on the corresponding date of last year.

Net foreign exchange assets (NFA) of banking sector (up to July 21, 2006) registered an increase of 12.1 per cent as compared with a decline of 3.1 per cent in the same period last year. The annual growth rate of NFA, as on July 21, 2006, was 29.7 per cent as against 8.2 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	July 21, 2006	2005-06	2006-07	2005	2006
M3(I+II+III+IV)	2729972	2839334	1.8	4.0	14.0	19.5
I. Currency with the public	413143	436329	4.5	5.6	13.8	17.6
II. Demand deposits with banks	405224	365467	-6.8	-9.8	24.5	22.1
III. Time deposits with banks	1904290	2031080	3.0	6.7	12.4	19.4
IV. Other deposits with RBI	6879	6458	-21.6	-6.1	8.6	30.3
Sources (1+2+3+4-5)						
1. Net bank credit to Govt. (A+B)	769093	803582	3.0	4.5	1.3	4.3
A. RBI's net credit to Govt.	8136	-1237	-	-	-	-
B. Other bank credit to Govt.	760956	804819	0.3	5.8	2.6	3.4
2. Bank credit to commercial sector	1690961	1741822	1.9	3.0	28.2	28.3
3. Net foreign exchange assets of banking sector	726194	814083	-3.1	12.1	8.2	29.7
4. Government's currency liabilities to the public	8754	8818	10.0	0.7	11.6	7.7
5. Banking sector's net non-monetary liabilities other than time deposits	465466	528970	-3.6	13.6	19.7	36.3

Scheduled Commercial Banks (SCBs) : Business in India

During the current financial year (up to July 21, 2006) incremental gross bank credit increased by 2.8 per cent as compared with a growth of 2.1 per cent in the same period of the previous year. The year-on-year growth of gross bank credit as on July 21, 2006 was 31.8 per cent as against 33.1 per cent on the corresponding date of last year.

Non-Food credit during the financial year so far (up to July 21, 2006), registered an increase of 3.2 per cent as compared with an increase of 2.2 per cent during the same period of the last year. The year-on-year growth rate of non-food credit was 33.2 per cent as compared with 35.1 per cent on the corresponding date of last year.

The year-on-year growth of time deposits with SCBs as on July 21, 2006 was 20.9 per cent as compared with 13.5 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	July 21, 2006	2005-06	2006-07	2005	2006
1. Bank credit	1507077	1549585	2.1	2.8	33.1	31.8
Food credit	40691	36056	-0.9	-11.4	-6.8	-9.1
Non-Food credit	1466386	1513529	2.2	3.2	35.1	33.2
2. Aggregate deposit	2109048	2197689	1.5	4.2	15.2	21.3
Demand deposit	364640	326115	-7.9	-10.6	26.3	23.8
Time deposits	1744408	1871574	3.3	7.3	13.5	20.9
3. Investments in Govt. and other approved securities	717455	768166	0.0	7.1	1.4	3.7
Government securities	700742	744287	0.2	6.2	1.9	3.2
Other approved securities	16713	23879	-3.8	42.9	-14.2	24.1

INTEREST RATES (PER CENT PER ANNUM)

As on July 21, 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 4.65/6.25 per cent as compared with 2.50/5.70 per cent on the corresponding date of last year.

Item/week ended	2005	2006
	July 22	July 21
1	2	3
Bank Rate	6.00	6.00
IDBI ¹	10.25	10.25
Prime Lending Rate ²	10.25-10.75	10.75-11.25
Deposit Rate ³	5.25-6.25	6.25-7.00
Call Money Rate ⁴ (Low/High)		
Borrowings	2.50/5.70	4.65/6.25
Lending	2.50/5.70	4.65/6.25

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, 1999	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

* Provisional

Source : RBI.

EXTERNAL ASSISTANCE AND DEBT SERVICE PAYMENTS

Gross external aid during April-June, 2006 at Rs 2509 crore was 28.8 percent lower than that of Rs 3526 crore in April-June, 2005. Net disbursements were Rs. 204 crore as compared with Rs. 817 crore during same period last year. Net aid transfers were Rs (-)767 crore as compared with Rs 1449 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	2729	2210	1604	1990	658	816
External Assistance – Non-Govt A/C	326	74	472	315	159	155
Govt. Grant	463	218	-	-	-	-
Non-Govt Grant	8	8	-	-	-	-
Grand Total	3526	2509	2076	2306	817	971
Net Disbursement	817	204	-	-	-	-
Net Transfers	1449	-767	-	-	-	-
* April-June						

Rupees Per Unit of Foreign Currency

The average market exchange rate of the Rupee during July, 2006 appreciated against Japanese Yen and depreciated against US Dollar, Pound Sterling and Euro as compared with average market exchange rate of the Rupee during June, 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
@ FEDAI Rates				

INFLATION

The annual rate of inflation based on Wholesale Price Index (WPI) stood at 4.82 per cent for week ended August 5, 2006 compared with 3.78 per cent a year ago. This rate was contributed by an increase of 4.81 per cent in Primary Articles, 8.03 per cent increase in Fuel, Power, Lights and Lubricants and 3.50 per cent increase in Manufactured Products as against an increase of 1.05 per cent, 9.08 per cent and 2.88 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 5-8-2006)			
		Last year	Current year	Last year	Current year
All Commodities	100.00	0.21	0.34	3.78	4.82
1. Primary articles	22.03	0.16	0.25	1.05	4.81
2. Fuel, Power, Light and Lubricants	14.23	0.00	0.64	9.08	8.03
3. Manufactured Products	63.75	0.35	0.23	2.88	3.50

CONSUMER PRICE INDEX

All India Consumer Price Index for Industrial Workers (CPI-IW) for June, 2006 stood at 569 (increased by 1.6 per cent over previous month's level of 560). The level of CPI-IW of June, 2006 was higher than the level of June, 2005 by 7.6 per cent.

CONSUMER PRICE INDEX AND INFLATION RATE (%)		
(Base : 1982=100)		
	2005-06 (June, 2005)	2006-07 (June, 2006)
Annual Inflation	3.3	7.6
Financial Year Inflation	0.8	3.3
% Change over last month	0.4	1.6
Level of Index	529	569
Average of Index for 12 months ending June	524.58	550.58

PUBLIC FINANCE

Trends in Central Government Finances: April-June 2006

	Budget Estimates	April-June		Col.3 as % of	Col. 4 as % of	% Change over preceding year	
	2006-07	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	38003	52382	10.8	13.0	24.1	37.8
Gross tax revenue	442153	52283	69080	14.1	15.6	25.9	32.1
Tax (net to Centre)	327205	31668	44463	11.6	13.6	30.3	40.4
Non Tax	76260	6335	7919	8.1	10.4	0.2	25.0
2. Capital Receipts	160526	55581	79088	34.1	49.3	-5.9	42.3
of which:							
Recovery of loans	8000	1063	1348	8.9	16.9	-93.8	26.8
Other Receipts	3840	1	0	--		--	-100.0
Borrowings and other liabilities	148686	54517	77740	36.1	52.3	30.8	42.6
3. Total Receipts (1+2)	563991	93584	131470	18.2	23.3	4.3	40.5
4.Non-Plan Expenditure (a)+(b)	391263	69330	92946	18.7	23.8	4.0	34.1
(a) Revenue Account	344430	66467	89795	20.1	26.1	9.0	35.1
Of which:							
Interest payments	139823	26428	29614	19.7	21.2	7.1	12.1
Major Subsidies	44532	10799	17155	23.4	38.5	-4.1	58.9
Pensions	19542	3653	4540	18.7	23.2	13.1	24.3
(b) Capital Account	46833	2863	3151	7.1	6.7	-49.5	10.1
5.Plan Expenditure (i)+(ii)	172728	24254	38524	16.9	22.3	5.3	58.8
(i) Revenue Account	143762	18847	33262	16.2	23.1	17.5	76.5
(ii) Capital Account	28966	5407	5262	19.7	18.2	-22.7	-2.7
6.Total Expenditure (4)+(5)=(a)+(b)	563991	93584	131470	18.2	23.3	4.3	40.5
(a)Revenue Expenditure	488192	85314	123057	19.1	25.2	10.8	44.2
(b)Capital Expenditure	75799	8270	8413	12.2	11.1	-34.7	1.7
7. Revenue Deficit	84727	47311	70675	49.6	83.4	2.0	49.4
8. Fiscal Deficit	148686	54517	77740	36.1	52.3	30.8	42.6
9. Primary Deficit	8863	28089	48126	163.3	543.0	65.3	71.3

Source : Controller General of Accounts, MOF, GOI.