

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

MONTHLY ECONOMIC REPORT
JUNE, 2005

HIGHLIGHTS

- The monsoon season rainfall from June 1, 2005 to June 22, 2005 was normal/excess in 22 per cent of meteorological sub-divisions.
- Food grain stocks were 28.08 million tonnes as on May 1, 2005
- Overall industrial growth was 8.8 per cent during April, 2005 as compared with 8.9 per cent in April, 2004.
- Core infrastructure sectors achieved an average growth rate of 4.9 per cent during April-May, 2005 as compared with 8.2 per cent in April-May, 2004.
- Broad Money (M3) growth (year-on-year) was 14.2 per cent (net of conversion, 14.1 per cent) as on June 10, 2005 as compared with 15.3 per cent last year.
- Exports grew by 19.8 per cent in dollar terms during April-May, 2005 as compared with 32.8 per cent in corresponding period last year. Imports grew by 40.9 per cent in April-May, 2005 as compared with 28.3 per cent in April-May, 2004.
- Forex reserves (excluding Gold and SDRs) stood at \$132.93 billion at the end of May, 2005.
- Rupee appreciated against US Dollar, Pound Sterling and Euro and was stable against Japanese Yen in May, 2005.
- The annual inflation rate in terms of WPI (Base 1993-94=100) was 4.10 per cent for the week ended June 18, 2005 as compared with 6.62 per cent a year ago.
- Tax revenue (net to Centre) during 2004-05 (provisional) over 2003-04 (actual) was higher by 20.3 per cent.
- In terms of value, Fiscal deficit during 2004-05 (provisional) was higher by 3.8 per cent over 2003-04 (actual).
- In terms of value, Revenue deficit during 2004-05 (provisional) declined by 19 per cent as compared to 2003-04 (actual).

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Adviser

AGRICULTURE

MONSOON SEASON RAINFALL*

The monsoon season rainfall from June 1, 2005 to June 22, 2005 was normal/excess in 8 meteorological sub-divisions (22 per cent) and deficient/scanty in the remaining 28 (78 per cent). The annual average for 2000-2004 was normal/excess in 29 (81 per cent) meteorological sub-divisions and deficient/scanty in the remaining 7 (19 per cent).

Number of Meteorological Sub-divisions							
	2000	2001	2002	2003	2004	2000-2004+	2005
Excess/Normal	29	31	27	27	31	29	8
Deficient/Scanty/Nil	7	5	9	9	5	7	28
Total	36	36	36	36	36	36	36

* (June-September)

+ Annual Average

PROCUREMENT

Wheat procurement up to June 23, 2005 in the current marketing year (i.e. 2005-06) was lower by 11.2 per cent at 14.78 million tonnes compared with 16.64 million tonnes in the corresponding period of 2004-05. Procurement of rice during the marketing year 2004-05 (up to June 23, 2005) at 22.80 million tonnes was higher by 5.8 per cent than the level of 21.55 million tonnes during the corresponding period of 2003-04.

	Full Marketing Year				Up to June 23		% 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	-	21.55	22.80	5.8	
Wheat(Apr-Mar)	20.63	19.06	15.80	16.80	16.64	14.78	-11.2	
Total	41.91	35.47	38.63	16.80	38.19	37.58	-1.6	

OFF-TAKE

Off-take from the Public Distribution System from Central Pool during April, 2005 was 2.81 million tonnes which was lower by 2.1 per cent than the off-take of 2.87 million tonnes during April, 2004.

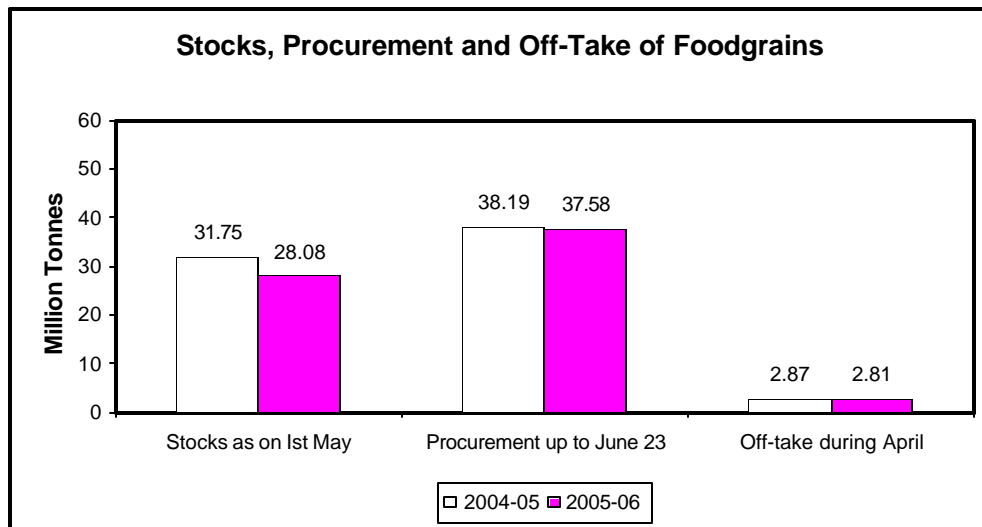
	2002-03(P)	2003-04(P)	2004-05(P)	April (P)	
	3	4	5	2004	2005
1	3	4	5	5	6
Rice	24.64	25.04	22.98	1.59	1.64
Wheat	24.99	24.29	18.27	1.28	1.17
Total	49.63	49.33	41.25	2.87	2.81

P : Provisional

STOCKS

Stocks of foodgrains as on May 1, 2005 was 28.08 million tonnes, which was lower by 11.6 per cent than the level of 31.75 million tonnes as on May 1, 2004.

	As on April 1		As on May 1	
	2004	2005	2004	2005
Million Tonnes				
Rice	13.07	13.34	12.72	13.03
Wheat	6.93	4.07	19.03	15.05
Total	20.00	17.41	31.75	28.08

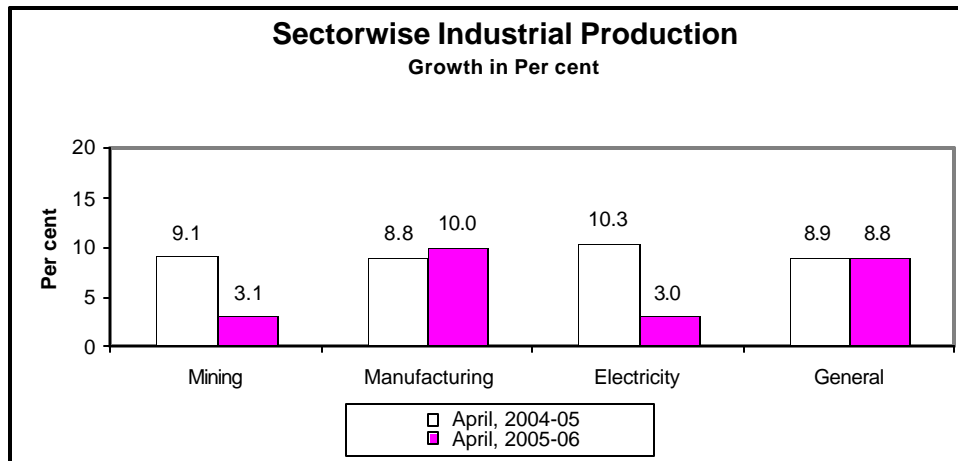


INDEX OF INDUSTRIAL PRODUCTION

The overall growth rate of index of industrial production (IIP) during April, 2005 was 8.8 percent as compared to 8.9 percent in April, 2004. The growth rates achieved by the mining, manufacturing and electricity sectors during April, 2005 was 3.1 percent, 10.0 percent and 3.0 percent respectively as compared to 9.1 percent, 8.8 percent and 10.3 percent during corresponding month last year.

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

SECTORWISE INDEX OF INDUSTRIAL PRODUCTION						
(Base: 1993-94=100)						
	2003-04	2004-05	Apr. '04	Apr. '05	(Percentage change)	
					April	
					2004-05	2005-06
General	7.0	8.2	8.9	8.8	8.9	8.8
Mining	5.2	4.4	9.1	3.1	9.1	3.1
Manufacturing	7.4	9.0	8.8	10.0	8.8	10.0
Electricity	5.1	5.2	10.3	3.0	10.3	3.0
Use-Based Classification						
Basic goods	5.4	5.5	8.0	5.9	8.0	5.9
Capital goods	13.6	13.3	10.1	24.5	10.1	24.5
Intermediate goods	6.4	5.9	12.4	2.3	12.4	2.3
Consumer goods	7.1	11.5	6.5	13.1	6.5	13.1
<i>Of which</i>						
Consumer durables	11.6	14.3	11.9	18.6	11.9	18.6
Consumer non-durables	5.8	10.6	5.0	11.4	5.0	11.4



INFRASTRUCTURE

The six core infrastructure industries registered a lower growth of 4.9 per cent during April-May, 2005 as compared to 8.2 per cent in corresponding period last year.

PRODUCTION IN INFRASTRUCTURE INDUSTRIES								
		May		Full Yr.	April-May		% Change	
							April-May	
Industry/Infrastructure	Unit	2004	2005	2004-05	2004-05	2005-06	2004-05	2005-06
Coal	Mn tons	27.6	30.7	375.0	55.8	61.2	5.1	9.7
Electricity Generation	Mn kw	47981	53027	587366	96911	103441	6.8	6.7
Hydel	Mn kw	6312	8346	84497	11563	14802	12.6	27.6
Thermal (including nuclear)	Mn kw	41669	44562	502869	85347	88456	6.0	3.8
Crude petroleum	000 tons	2886	2830	33981	5700	5632	8.8	-1.2
Petroleum Products	000 tons	10234	9611	118216	19928	18557	13.6	-6.9
Finished steel	000 tons	3237	3403	38325	6252	6726	9.6	7.6
Cement	000 tons	10950	11290	131559	22090	23200	6.9	5.0
Average growth rate*	(%)	6.7	5.6	4.4	-	-	8.2	4.9
		April		Full Yr.	April		2004-05	2005-06
Cargo handled at major ports	Mn tons	28.45	32.93	383.8	28.45	32.93	5.7	15.7
Telecommunications								
a) Net switching capacity	000 lines	31.49	184.66	6714.1	31.49	184.66	-60.0	486.5
b) Net Tele. Connections	000 nos	372.61	-294.52	6962.1	372.61	-294.52	-	-
Revenue earning goods traffic on railways	Mn tons	45.54	52.59	601.9	45.54	52.59	5.7	15.5

* 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, 2005 increased by 15.5 per cent as compared to 5.7 per cent in corresponding month last year.

(Million Tonnes)

1	2	3	4	5
	Full Year	April		% Change
Commodities	2004-05	2004	2005	April, 2005
Coal	271.06	20.64	23.8	15.3
Raw material for Steel Plants	44.11	3.27	3.95	20.8
Pig Iron & Finished Steel From Steel Plants	14.86	1.01	1.15	13.9
Iron Ore for Exports	36.33	2.77	3.02	9
Cement	54.23	4.61	5.05	9.5
Foodgrains	46.19	3.52	3.79	7.7
Fertilizers	28.36	1.73	1.78	2.9
POL	32.4	2.35	2.66	13.2
Balance other goods	74.35	5.64	7.39	31
Total	601.89	45.54	52.59	15.5

MONEY AND BANKING

During the current financial year 2005-06, broad money stock (M3) (up to June 10, 2005) increased by 3.9 per cent as compared with the growth rate of 2.7 per cent registered during the corresponding period of the last year. The year-on-year growth as on June 10, 2005 was 14.2 per cent (exclusive of conversion, 14.1 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 June 10, 2005) registered a decline of 2.5 per cent as compared with a growth of 9.1 per cent in the same period last year. The annual growth rate of NFA, as on June 10, 2005 was 10.6 per cent as against 36.7 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	June 10, 2005	2004-05	2005-06	2004 (Jun 11)	2005 (Jun 10)
M3(I+II+III+IV)	2269156	2357334	2.7	3.9	15.3	14.2
	(2265587)	(2353765)				(14.1)
I. Currency with the public	357424	380783	6.5	6.5	14.0	13.4
II. Demand deposits with banks	297088	289286	-8.0	-2.6	19.5	21.8
III. Time deposits with banks	1608161	1682879	4.0	4.6	15.0	13.2
	(1604592)	(1679310)				(13.0)
IV. Other deposits with RBI	6483	4386	-31.2	-32.3	29.5	24.5
Sources (1+2+3+4-5)						
1. Net bank credit to Govt. (A+B)	762496	768074	1.8	0.7	6.9	1.5
	(750303)	(755881)				(-0.2)
A. RBI's net credit to Govt.	-12197	-770	-	-	-	-
B. Other bank credit to Govt.	774694	768844	6.6	-0.8	26.5	3.2
2. Bank credit to commercial sector	1275027	1333254	2.2	4.6	16.1	27.8
	(1242345)	(1300572)				(24.7)
3. Net foreign exchange assets of banking sector	651998	635773	9.1	-2.5	36.7	10.6
4. Government's currency liabilities to the public	7436	7436	0.4	-	2.6	1.5
5. Banking sector's net non-monetary liabilities other than time deposits	427801	387203	10.0	-9.5	30.5	21.5

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 June 10, 2005) incremental gross bank credit increased by 5.3 per cent (exclusive of conversion, 4.6 per cent) as compared with a growth of 3.2 per cent in the same period of the previous year. The year-on-year growth of gross bank credit as on June 10, 2005 was 32.5 per cent (exclusive of conversion, 28.7 per cent) as against 19.1 per cent on the corresponding date of last year.

Non-Food credit during the financial year so far (up to June 10, 2005), registered a growth of 5.1 per cent (exclusive of conversion, 4.3 per cent) as compared with 2.5

per cent during the same period of the last year. The year-on-year growth rate of non-food credit was 33.9 per cent (exclusive of conversion, 29.9 per cent) as compared with 21.7 per cent on the corresponding date of last year.

The year-on-year growth of time deposits with SCBs as on June 10, 2005 was 14.2 per cent (exclusive of conversion, 13.9 per cent) as compared with 15.7 per cent on the corresponding date of last year.

Items	Outstanding as on (Rs. crore)		% Variations			
			Financial year so far		Year-on-year	
	March 18, 2005	June 10, 2005	2004-05	2005-06	2004	2005
1. Bank credit	1092091	1150190	3.2	5.3	19.1	32.5
	(1059409)	(1117507)		(4.6)		(28.7)
Food credit	41121	45749	20.0	11.3	-14.6	6.0
Non-Food credit	1050970	1104441	2.5	5.1	21.7	33.9
	(1018288)	(1071758)		(4.3)		(29.9)
2. Aggregate deposit	1719948	1785956	2.9	3.8	16.4	15.4
		(1782387)		(3.8)		(15.1)
Demand deposit	263817	255811	-7.7	-3.0	21.3	23.1
Time deposits	1456131	1530145	4.8	5.1	15.7	14.2
		(1526576)		(5.1)		(13.9)
3. Investments in Govt. and other approved securities	743062	736918	5.9	-0.8	24.3	2.7
		(724725)		(-0.8)		(1.0)
Government securities	717791	712157	6.2	-0.8	25.6	2.4
		(699964)		(-0.8)		(0.7)
Other approved securities	25271	24761	-1.6	-2.0	-6.7	10.2

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 June 10, 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 4.00/5.75 per cent as compared with 3.50/5.50 per cent on the corresponding date of last year.

Item/week ended	2004	2005
	June 11	June 10
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	3.50/5.50	4.00/5.75
Lending	3.50/5.50	4.00/5.75

1. Minimum Term Lending Rate (MTLR)

2. Prime Lending Rate relates to five major Banks

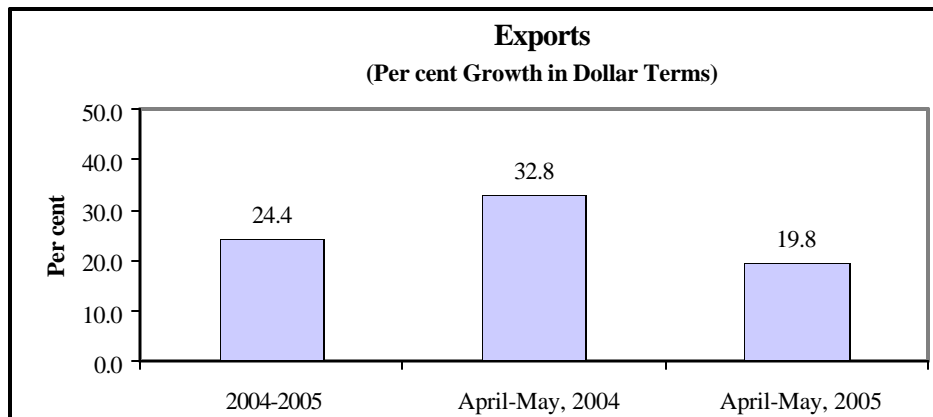
3. Deposit Rate relates to major banks for term deposits of more than one year maturity.

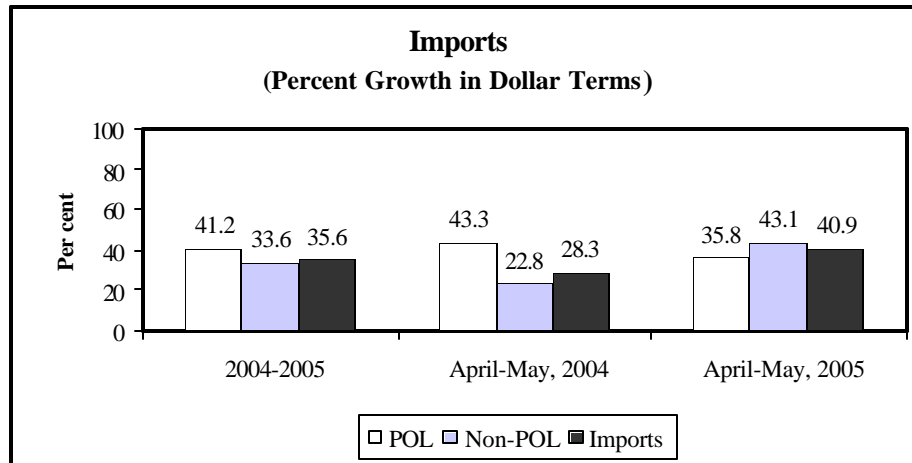
4. Call money rates are based on data covering 90-95 per cent of total transactions reported by major participants.

FOREIGN TRADE

Exports in dollar terms during April-May, 2005 increased by 19.8 percent as compared to an increase of 32.8 percent in April-May, 2004. Imports increased by 40.9 percent in April-May, 2005 as against an increase of 28.3 percent in corresponding period last year.

Item			April-May		% Change	
	2003-04(PR)	2004-05 (P)	2004-05	2005-06	2004-05	2005-06
Rs. Crore						
Exports	293367	357077	51342	60134	25.4	17.1
Imports	359108	476202	66536	91595	21.3	37.7
POL	94657	130683	19995	26566	35.3	32.9
Non-POL	264451	345519	46541	65029	16.2	39.7
Trade Balance	-65741	-119125	-15194	-31461	-	-
Million Dollars						
Exports	63979	79594	11510	13789	32.8	19.8
Imports	78251	106121	14905	21003	28.3	40.9
POL	20599	29085	4484	6091	43.3	35.8
Non-POL	57652	77036	10421	14912	22.8	43.1
Trade Balance	-14272	-26528	-3395	-7213	-	-
(PR) : Partially 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

* Provisional

EXTERNAL ASSISTANCE AND DEBT SERVICE PAYMENTS

Gross external aid during April-May, 2005 at Rs 1421.14 crore was 64.6 percent higher than that of Rs 863.32 crore in April-May, 2004. Net Aid flows were Rs. 754.33 crore as compared with Rs. 100.99 crore during same period last year and Net Aid Transfers were Rs. 500.37 crore as compared with Rs. (-) 167.98 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	570.79	989.41	646.04	629.96	244.07	245.45
External Assistance - Non-Govt A/C	169.22	40.80	116.29	36.85	24.90	8.51
Govt. Grant	121.89	386.72	-	-	-	-
Non-Govt Grant	1.42	4.21	-	-	-	-
Grand Total	863.32	1421.14	762.33	666.81	268.97	253.96
Net Disbursement	100.99	754.33	-	-	-	-
Net Transfers	-167.98	500.37				

* April-May

Rupees Per Unit of foreign Currency

The average market exchange rate of the Rupee during May, 2005 appreciated against US Dollar, Pound Sterling and Euro and stable against Japanese Yen as compared with average market exchange rate of the Rupee during April, 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

@ FEDAI Rates

INFLATION

The annual rate of inflation based on Wholesale Price Index (WPI) stood at 4.10 per cent for week ended June 18, 2005 compared with 6.62 per cent a year ago. This rate was contributed by an increase of 0.16 per cent in Primary Articles, 9.05 per cent increase in Fuel, Power, Lights and Lubricants and 3.83 per cent increase in Manufactured Products as against an increase of 2.87 per cent, 10.40 per cent and 6.89 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 18-6-2005)	Current year
All Commodities	100.00	1.70	0.47	6.62	4.10
1.Primary articles	22.03	1.55	0.90	2.87	0.16
2. Fuel, Power, Light and Lubricants	14.23	2.76	1.09	10.40	9.05
3. Manufactured Products	63.75	1.36	0.06	6.89	3.83

CONSUMER PRICE INDEX

All India Consumer Price Index for Industrial Workers (CPIIW) for April, 2005 which stood at 529, increased by 0.8 per cent over previous month's level and increased by 5.0 per cent over April, 2004.

CONSUMER PRICE INDEX AND INFLATION RATE (%)		
	2004-05 (Up to Apr., 2004)	2005-06 (Up to Apr., 2005)
Annual Inflation	2.2	5.0
Financial Year Inflation	0.0	0.8
% Change over last month	0.0	0.8
Level of Index	504	529
Average of Index for 12 months ending April	501.25	521.58

PUBLIC FINANCE

Trends of Provisional (Un-audited) accounts of the Union Government for 2004-05

(Rs. crore)

S.No	Items	2003-04 Actual	2004-05			Variations Prov. over RE, 2004-05	Provisional 2004-05	% change 2004-05 (P)
			BE	RE	Provisional	Absolute	As percent of RE	Over 2003- 04 actual
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1	Revenue Receipts (2+3)	263878	309322	300904	305187	4283	101.4	15.7
	Gross tax revenue	254348	317733	306021	304980	-1041	99.7	19.9
2	Tax (net to Centre)	186982	233906	225804	224857	-947	99.6	20.3
3	Non Tax	76896	75416	75100	80330	5230	107.0	4.5
4	Non-Debt Capital Receipts(5+6)	84218	31100	65656	65286	-370	99.4	-22.5
5	Recovery of loans	67265	27100	61565	60862	-703	98.9	-9.5
6	Disinvestment Proceeds	16953	4000	4091	4424	333	108.1	-73.9
7	Total Non-Debt Receipt (1+4)	348096	340422	366560	370473	3913	101.1	6.4
	<i>Memo items</i>							
	Corporation Tax	63562	88436	83000	83566	566	100.7	31.5
	Income Tax	41379	50929	50929	48312	-2617	94.9	16.8
	Union Excise Duty	90774	109199	100720	99155	-1565	98.4	9.2
	Customs	48629	54250	56250	57655	1405	102.5	18.6
	Service Tax	7891	141500	14150	14200	50	100.4	80.0
	Total (Memo Items)	252235	444314	305049	302888	-2161	99.3	20.1
	Devolution to States	65766	82227	78617	78595	-22	100.0	19.5
8	Non-Plan Expenditure (a+b)	349088	332239	368404	366288	-2116	99.4	4.9
	(a) On Revenue Account	283502	293650	296396	297249	853	100.3	4.8
	of which:							
	(1) Interest Payments	124088	129500	125905	126540	635	100.5	2.0
	(2) Major Subsidies	43299	42021	45015	44633	-382	99.2	3.1
	(3) Pensions	15905	15928	18338	18286	-52	99.7	15.0
	(b) On Capital Account	65586	38589	72008	69039	-2969	95.9	5.3
9	Plan Expenditure (12+13)	122280	145590	137387	132160	-5227	96.2	8.1
	(a) Revenue Account	78638	91843	89673	87496	-2177	97.6	11.3
	(b) Capital Account	43642	53747	47714	44664	-3050	93.6	2.3
10	Total Expenditure (8+9)	471368	477829	505791	498448	-7343	98.5	5.7
11	Revenue Expenditure (8a+9a)	362140	385493	386069	384745	-1324	99.7	6.2
12	Capital Expenditure (8b+9b)	109228	92336	119722	113703	-6019	95.0	4.1
13	Revenue Deficit (1-11)	98262	76171	85165	79558	-5607	93.4	-19.0
14	Fiscal Deficit (7-10)	123272	137407	139231	127975	-11256	91.9	3.8
15	Primary Deficit (14-8(a)(1))	-816	7907	13326	1435	-11891	10.8	-275.9

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

