

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

**MONTHLY ECONOMIC REPORT
JUNE, 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 July 5, 2006 was normal/excess in 69 per cent of meteorological sub-divisions.
- Food grain stocks were 21.82 million tonnes as on May 1, 2006.
- Overall industrial growth was 9.8 per cent during April-May, 2006 as compared with 9.5 per cent in April-May, 2005.
- Core infrastructure sectors achieved an average growth rate of 6.7 per cent during April, 2006 as compared with 6.0 per cent in April, 2005.
- Broad Money (M3) growth (year-on-year) was 18.1 per cent as on June 23, 2006 as compared with 13.7 per cent last year.
- Exports grew by 32.4 per cent in dollar terms during April-June, 2006. Imports increased by 24.5 per cent in April-June, 2006.
- Forex reserves (excluding Gold and SDRs) stood at \$155.97 billion at the end of June, 2006.
- Rupee appreciated against Japanese Yen and depreciated against US Dollar, Pound Sterling and Euro in June, 2006.
- The annual inflation rate in terms of WPI (Base 1993-94=100) was 4.96 per cent for the week ended July 1, 2006 as compared with 4.14 per cent a year ago.
- Tax revenue (net to Centre) during April-May, 2006 was higher by 74.2 per cent compared with an increase of 83.5 per cent in corresponding period last year.
- In terms of value, Fiscal deficit during April-May, 2006 was higher by 51.4 per cent over corresponding period last year.
- In terms of value, Revenue deficit during April-May, 2006 was higher by 55.4 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)	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 July 5, 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 (73 per cent) meteorological sub-divisions and deficient/scanty in the remaining 10 (27 per cent).

Number of Meteorological Sub-divisions							
	2001	2002	2003	2004	2005	2001-2005+	2006
Excess/Normal	30	25	30	24	23	26	25
Deficient/Scanty/Nil	6	11	6	12	13	10	11
Total	36	36	36	36	36	36	36

(June- September)

+ Annual Average

PROCUREMENT

Wheat procurement as on May 1, 2006 in the current marketing year (i.e. 2006-07) declined by 32.3 per cent at 8.66 million tonnes as compared with 12.78 million tonnes in the corresponding period of 2005-06. Procurement of rice during the marketing year 2005-06 (as on May 1, 2006) at 23.46 million tonnes was higher by 12.2 per cent than the level of 20.91 million tonnes during the corresponding period of 2004-05.

	Full Marketing Year				As on 1 May		% 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	-	20.91	23.46	12.2
Wheat(Apr-Mar)	19.06	15.80	16.80	14.79	12.78	8.66	-32.3
Total	35.47	38.63	41.01	14.79	33.70	32.12	-4.7

OFF-TAKE

Off-take from the Public Distribution System from Central Pool during April, 2006 was 2.80 million tonnes as against 3.43 million tonnes during April, 2005.

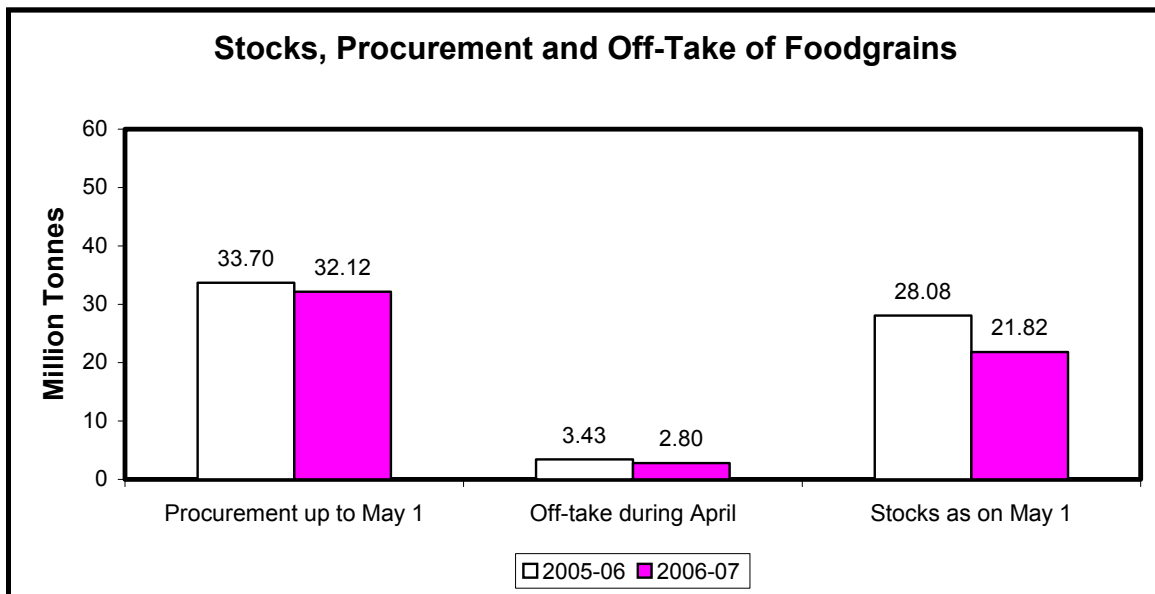
	2003-04(P)	2004-05(P)	2005-06(P)	April	
				2005	2006
Million Tonnes					
1	2	3	4	5	6
Rice	25.04	23.20	24.74	2.03	1.91
Wheat	24.29	18.27	17.16	1.40	0.89
Total	49.33	41.47	41.90	3.43	2.80

P : Provisional

STOCKS

Stocks of foodgrains as on May 1, 2006 was 21.82 million tonnes, which was lower by 22.3 per cent than the level of 28.08 million tonnes as on May 1, 2005.

	As on May 1	
	2005	2006
Rice	13.03	12.83
Wheat	15.05	8.99
Total	28.08	21.82



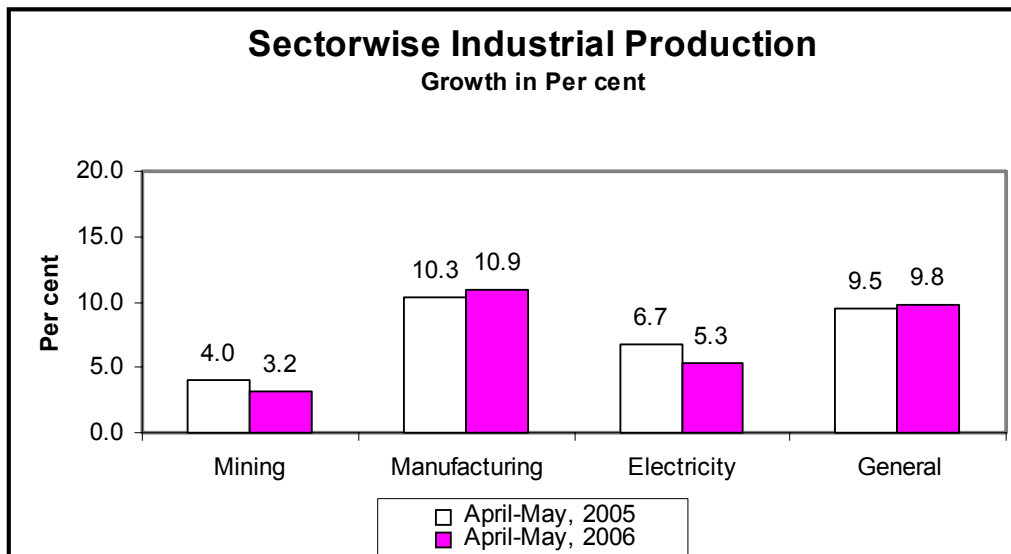
[Rice–Kharif marketing year (October-September)]
[Wheat – Rabi marketing year (April-March)]

INDEX OF INDUSTRIAL PRODUCTION

The overall growth rate of index of industrial production (IIP) during April-May, 2006 was 9.8 percent as compared to 9.5 percent in April-May, 2005. The growth rate achieved by the mining, manufacturing and electricity sectors during April-May, 2006 was 3.2 percent, 10.9 percent and 5.3 percent respectively as compared to 4.0 percent, 10.3 percent and 6.7 percent during corresponding period last year.

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

SECTORWISE INDEX OF INDUSTRIAL PRODUCTION						
(Base: 1993-94=100)						
(Percentage change)						
	2004-05	2005-06	May '05	May '06	April-May	
					2005-06	2006-07
General	8.4	8.1	10.8	10.0	9.5	9.8
Mining	4.4	0.9	5.2	3.0	4.0	3.2
Manufacturing	9.2	9.1	11.3	11.3	10.3	10.9
Electricity	5.2	5.2	10.5	4.7	6.7	5.3
Use-Based Classification						
Basic goods	5.5	6.6	8.7	9.0	7.5	9.0
Capital goods	13.9	15.8	13.4	20.5	13.9	21.1
Intermediate goods	6.1	2.4	4.2	8.6	3.4	7.6
Consumer goods	11.7	12.0	18.4	9.1	15.9	9.0
<i>Of which</i>						
Consumer durables	14.4	14.9	17.7	18.3	18.2	14.4
Consumer non-durables	10.8	11.1	18.6	5.9	15.2	7.2

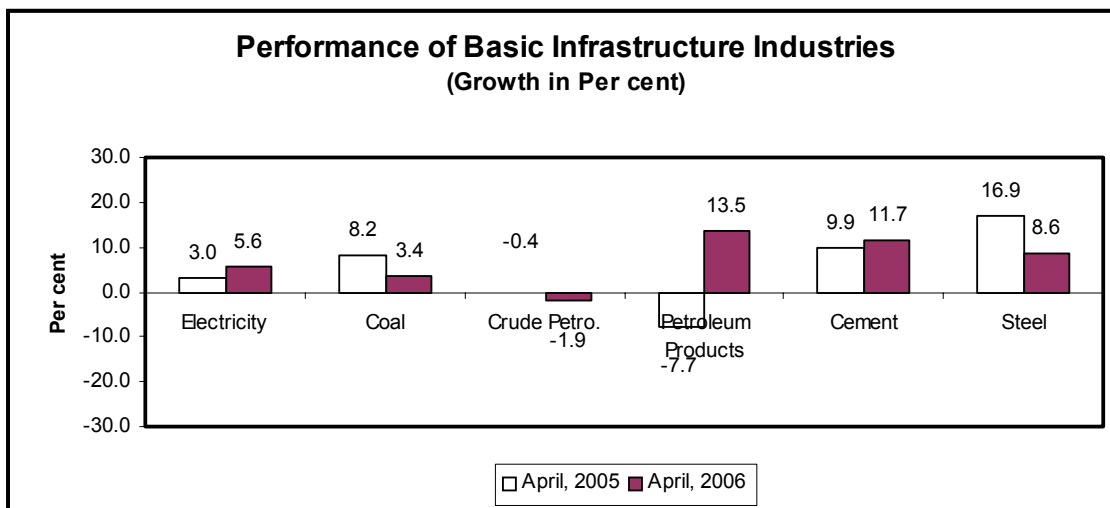


INFRASTRUCTURE

The six core infrastructure industries registered a growth of 6.7 per cent during April, 2006 as compared to 6.0 per cent in corresponding period last year.

PRODUCTION IN INFRASTRUCTURE INDUSTRIES								
		April		Full Yr.	April		% Change	
							April	
Industry/Infrastructure	Unit	2005	2006	2005-06	2005-06	2006-07	2005-06	2006-07
Coal	Mn tonnes	30.5	31.5	401.5	30.5	31.5	8.2	3.4
Electricity Generation	Mn kwh	50413	53221	617382	50413	53221	3.0	5.6
Crude petroleum	000 tonnes	2802	2749	32196	2802	2749	-0.4	-1.9
Petroleum Products	000 tonnes	8947	10154	120747	8947	10154	-7.7	13.5
Finished steel	000 tonnes	3277	3558	42650	3277	3558	16.9	8.6
Cement	000 tonnes	12240	13670	147806	12240	13670	9.9	11.7
Average growth rate*		6.0	6.7	5.0	-	-	6.0	6.7

* 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).



MONEY AND BANKING

During the current financial year 2006-07, broad money stock (M3) (up to June 23, 2006) increased by 2.1 per cent as compared with the growth rate of 4.8 per cent registered during the corresponding period of the last year. The year-on-year growth, as on June 23, 2006, was 18.1 per cent as compared with 13.7 per cent on the corresponding date of last year.

Net foreign exchange assets (NFA) of banking sector (up to June 23, 2006) registered an increase of 10.1 per cent as compared with a decline of 2.1 per cent in the same period last year. The annual growth rate of NFA, as on June 23, 2006, was 23.6 per cent as against 10.4 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	June 23, 2006	2005-06	2006-07	2005	2006
M3(I+II+III+IV)	2729972	2787515	4.8	2.1	13.7	18.1
I. Currency with the public	413092	438815	5.5	6.2	13.9	16.9
II. Demand deposits with banks	405267	363520	5.0	-10.3	22.4	21.4
III. Time deposits with banks	1904700	1979108	4.8	3.9	12.2	17.7
IV. Other deposits with RBI	6914	6071	-31.2	-12.2	21.9	36.2
Sources (1+2+3+4-5)						
1. Net bank credit to Govt. (A+B)	773574	789182	1.2	2.0	1.4	3.0
A. RBI's net credit to Govt.	12617	8189	-	-	-	-
B. Other bank credit to Govt.	760956	780993	-	2.6	4.0	0.8
2. Bank credit to commercial sector	1690942	1712840	4.8	1.3	27.3	27.7
3. Net foreign exchange assets of banking sector	713865	785710	-2.1	10.1	10.4	23.6
4. Government's currency liabilities to the public	8695	8695	5.2	-	6.8	11.0
5. Banking sector's net non-monetary liabilities other than time deposits	457103	508914	-11.5	11.3	23.1	30.1

Scheduled Commercial Banks (SCBs) : Business in India

During the current financial year (up to June 23, 2006) incremental gross bank credit increased by 1.1 per cent as compared with a growth of 5.5 per cent in the same period of the previous year. The year-on-year growth of gross bank credit as on June 23, 2006 was 31.2 per cent as against 32.1 per cent on the corresponding date of last year.

Non-Food credit during the financial year so far (up to June 23, 2006), registered an increase of 1.1 per cent as compared with an increase of 5.4 per cent during the same period of the last year. The year-on-year growth rate of non-food credit was 32.7 per cent as compared with 33.6 per cent on the corresponding date of last year.

The year-on-year growth of time deposits with SCBs as on June 23, 2006 was 19.1 per cent as compared with 13.3 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	June 23, 2006	2005-06	2006-07	2005	2006
1. Bank credit	1507077	1523168	5.5	1.1	32.1	31.2
Food credit	40691	41296	9.0	1.5	4.0	-7.8
Non-Food credit	1466386	1481870	5.4	1.1	33.6	32.7
2. Aggregate deposit	2109049	2145499	5.5	1.7	14.8	19.7
Demand deposit	364640	324689	6.3	-11.0	23.9	23.1
Time deposits	1744409	1820810	5.3	4.4	13.3	19.1
3. Investments in Govt. and other approved securities	717455	743774	-0.1	3.7	2.9	0.7
Government securities	700742	721137	0.0	2.9	3.5	0.3
Other approved securities	16713	22637	-3.5	35.4	-14.0	16.2

INTEREST RATES (PER CENT PER ANNUM)

As on June 23, 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 4.75/6.00 per cent as compared with 2.50/5.75 per cent on the corresponding date of last year.

Item/week ended	2005	2006
	June 24	June 23
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	2.50/5.75	4.75/6.00
Lending	2.50/5.75	4.75/6.00

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, 2006 increased by 32.4 percent. Imports increased by 24.5 percent. Oil imports were increased by 39.0 percent and Non-oil imports were increased by 9.6 per cent.

Million US Dollar

Item			April-June (P)		% Change April-June
	2004-05(P)	2005-06 (P)	2005-06	2006-07	2006-07
Exports	80672	100607	20900	27672	32.4
Imports	106631	140238	32360	40281	24.5
POL	29858	43844	9445	13128	39.0
Non-POL	76772	96393	24769	27153	9.6
Trade Balance	-25959	-39631	-11460	-12609	-

Source: Data for April-June, 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

* 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*

(Rs crore)

	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 June, 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 May, 2006.

Rupees Per Unit of Foreign Currency

	(Market Rate)@			
	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
@ FEDAI Rates				

INFLATION

The annual rate of inflation based on Wholesale Price Index (WPI) stood at 4.96 per cent for week ended July 1, 2006 compared with 4.14 per cent a year ago. This rate was contributed by an increase of 7.35 per cent in Primary Articles, 7.34 per cent increase in Fuel, Power, Lights and Lubricants and 3.17 per cent increase in Manufactured Products as against an increase of 0.16 per cent, 10.51 per cent and 3.27 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 1-7-2006)			
		Last year	Current year	Last year	Current year
All Commodities	100.00	0.47	0.69	4.14	4.96
1. Primary articles	22.03	-0.63	0.40	0.16	7.35
2. Fuel, Power, Light and Lubricants	14.23	2.46	1.84	10.51	7.34
3. Manufactured Products	63.75	0.06	0.40	3.27	3.17

CONSUMER PRICE INDEX

All India Consumer Price Index for Industrial Workers (CPI-IW) for May, 2006 stood at 560 (increased by 0.7 per cent over previous month's level of 556). The level of CPI-IW of May, 2006 was higher than the level of May, 2005 by 6.3 per cent.

CONSUMER PRICE INDEX AND INFLATION RATE (%)		
(Base : 1982=100)		
	2005-06 (May, 2005)	2006-07 (May, 2006)
Annual Inflation	3.7	6.3
Financial Year Inflation	0.4	1.6
% Change over last month	-0.4	0.7
Level of Index	527	560
Average of Index for 12 months ending May	523.17	547.25

PUBLIC FINANCE

Trends in Central Government Finances: April-May 2006

	Budget Estimates	April-May		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	11944	19330	3.4	4.8	51.0	61.8
Gross tax revenue	442153	22415	31383	6.1	7.1	29.6	40.0
Tax (net to Centre)	327205	8659	15087	3.2	4.6	83.5	74.2
Non Tax	76260	3285	4243	4.2	5.6	3.0	29.2
2. Capital Receipts	160526	47793	72588	29.3	45.2	-8.9	51.9
of which:							
Recovery of loans	8000	189	500	1.6	6.3	-98.6	164.6
Other Receipts	3840	1	0			-99.0	-100.0
Borrowings and other liabilities	148686	47603	72088	31.5	48.5	22.1	51.4
3. Total Receipts (1+2)	563991	59737	91918	11.6	16.3	-1.0	53.9
4. Non-Plan Expenditure (a)+(b)	391263	46788	62882	12.6	16.1	0.0	34.4
(a) Revenue Account	344430	45268	61231	13.7	17.8	6.4	35.3
Of which:							
Interest payments	139823	21167	23919	15.8	17.1	6.6	13.0
Major Subsidies	44532	7196	11412	15.6	25.6	-18.2	58.6
Pensions	19542	2001	2716	10.2	13.9	28.4	35.7
(b) Capital Account	46833	1520	1651	3.8	3.5	-64.1	8.6
5. Plan Expenditure (i)+(ii)	172728	12949	29036	9.0	16.8	-4.7	124.2
(i) Revenue Account	143762	10830	26719	9.3	18.6	18.2	146.7
(ii) Capital Account	28966	2119	2317	7.7	8.0	-52.0	9.3
6. Total Expenditure (4)+(5)=(a)+(b)	563991	59737	91918	11.6	16.3	-1.0	53.9
(a) Revenue Expenditure	488192	56098	87950	12.6	18.0	8.5	56.8
(b) Capital Expenditure	75799	3639	3968	5.4	5.2	-57.9	9.0
7. Revenue Deficit	84727	44154	68620	46.3	81.0	0.8	55.4
8. Fiscal Deficit	148686	47603	72088	31.5	48.5	22.1	51.4
9. Primary Deficit	8863	26436	48169	153.7	543.5	38.2	82.2

Source : Controller General of Accounts, MOF, GOI.