

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

**MONTHLY ECONOMIC REPORT
MAY, 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 June 7, 2006 was normal/excess in 72 per cent of meteorological sub-divisions.
- Food grain stocks were 15.69 million tonnes as on April 1, 2006.
- Overall industrial growth was 9.5 per cent during April, 2006 as compared with 8.1 per cent in April, 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 18.5 per cent as on May 26, 2006 as compared with 13.9 per cent last year.
- Exports grew by 27.1 per cent in dollar terms during April, 2006. Imports increased by 20.5 per cent in April, 2005.
- Forex reserves (excluding Gold and SDRs) stood at \$156.07 billion at the end of May, 2006.
- Rupee depreciated against US Dollar, Pound Sterling, Japanese Yen and Euro in May, 2006.
- The annual inflation rate in terms of WPI (Base 1993-94=100) was 4.68 per cent for the week ended May 27, 2006 as compared with 5.25 per cent a year ago.
- Tax revenue (net to Centre) during April-February, 2005-06 was higher by 23.4 per cent compared with an increase of 17.3 per cent in corresponding period last year.
- In terms of value, Fiscal deficit during April-February, 2005-06 was higher by 14.5 per cent over corresponding period last year.
- In terms of value, Revenue deficit April-February, 2005-06 was higher by 6.5 per cent over corresponding period last year.

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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	2003-04	2004-05	2005-06	2004-05		2005-06			2003-04	2004-05(Q)	2005-06(R)
	Annual	(Q)	(R)	Q4	Q1	Q2	Q3	Q4			
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 June 7, 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 18 (50 per cent) meteorological sub-divisions and deficient/scanty in the remaining 18 (50 per cent).

Number of Meteorological Sub-divisions							
	2001	2002	2003	2004	2005	2001-2005+	2006
Excess/Normal	34	18	5	24	9	18	26
Deficient/Scanty/Nil	2	18	31	12	27	18	10
Total	36	36	36	36	36	36	36

(June- September) + Annual Average

PROCUREMENT

Wheat procurement as on April 1, 2006 in the current marketing year (i.e. 2006-07) declined by 12.0 per cent at 14.79 million tonnes as compared with 16.80 million tonnes in the corresponding period of 2005-06. Procurement of rice during the marketing year 2005-06 (as on April 1, 2006) at 21.80 million tonnes was higher by 10.9 per cent than the level of 19.65 million tonnes during the corresponding period of 2004-05.

	Full Marketing Year				As on 1 April		% 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	-	19.65	21.80	10.9
Wheat(Apr-Mar)	19.06	15.80	16.80	14.79	16.80	14.79	-12.0
Total	35.47	38.63	41.01	14.79	36.45	36.59	0.4

OFF-TAKE

Off-take from the Public Distribution System from Central Pool during April-March, 2006 was 41.90 million tonnes as against 41.47 million tonnes during April-March, 2005.

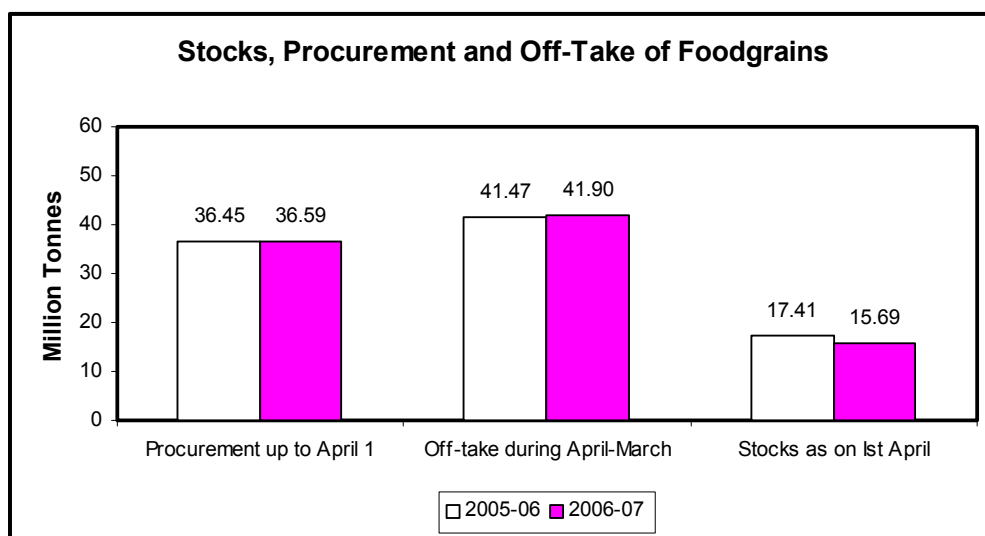
	2002-03(P)	2003-04(P)	2004-05(P)	2005-06(P)
1	3	4	5	5
Rice	24.64	25.04	23.20	24.74
Wheat	24.99	24.29	18.27	17.16
Total	49.63	49.33	41.47	41.90

P : Provisional

STOCKS

Stocks of foodgrains as on April 1, 2006 was 15.59 million tonnes, which was lower by 9.9 per cent than the level of 17.41 million tonnes as on April 1, 2005.

	As on April 1	
	2005	2006
Rice	13.34	13.68
Wheat	4.07	2.01
Total	17.41	15.69



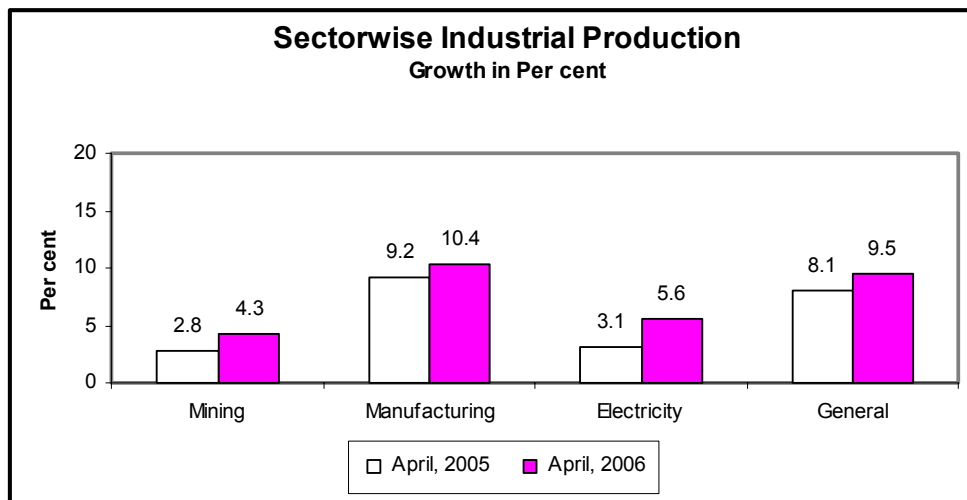
[Rice-Kharif marketing year (October-September)]
[Wheat - Rabi marketing year (April-March)]

INDEX OF INDUSTRIAL PRODUCTION

The overall growth rate of index of industrial production (IIP) during April, 2006 was 9.5 percent as compared to 8.1 percent in April, 2005. The growth rate achieved by the mining, manufacturing and electricity sectors during April, 2006 was 4.3 percent, 10.4 percent and 5.6 percent respectively as compared to 2.8 percent, 9.2 percent and 3.1 percent during corresponding period last year.

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

SECTORWISE INDEX OF INDUSTRIAL PRODUCTION (Base: 1993-94=100)						
	2004-05	2005-06	Apr '05	Apr '06	(Percentage change)	
					April	
					2005-06	2006-07
General	8.4	8.1	8.1	9.5	8.1	9.5
Mining	4.4	0.9	2.8	4.3	2.8	4.3
Manufacturing	9.2	9.1	9.2	10.4	9.2	10.4
Electricity	5.2	5.2	3.1	5.6	3.1	5.6
Use-Based Classification						
Basic goods	5.5	6.6	6.2	9.1	6.2	9.1
Capital goods	13.9	15.8	14.6	24.9	14.6	24.9
Intermediate goods	6.1	2.4	2.5	5.3	2.5	5.3
Consumer goods	11.7	12.0	13.5	8.7	13.5	8.7
<i>Of which</i>						
Consumer durables	14.4	14.9	18.7	10.6	18.7	10.6
Consumer non-durables	10.8	11.1	11.9	8.0	11.9	8.0

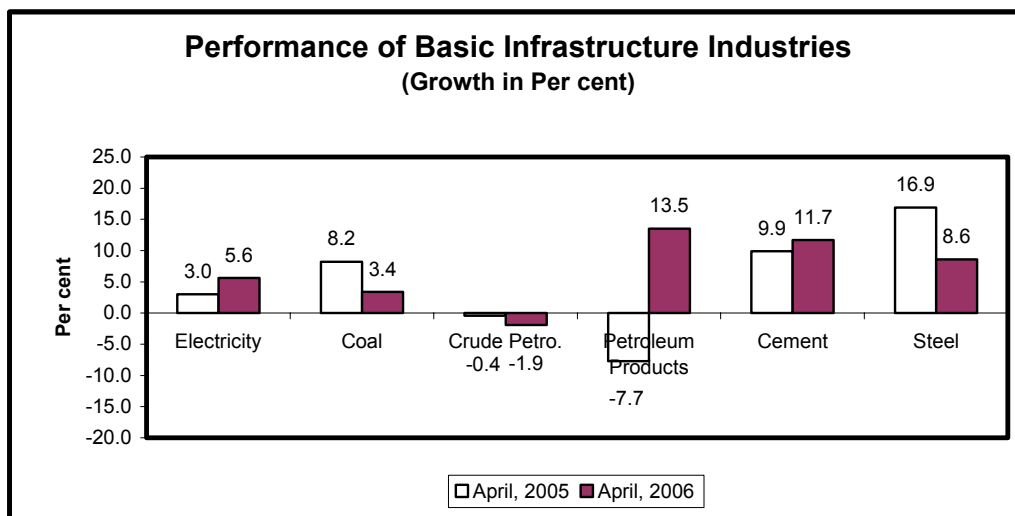


INFRASTRUCTURE

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								
Industry/Infrastructure	Unit	April		Full Yr.	April		% Change	
		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 May 26, 2006) increased by 1.9 per cent as compared with the growth rate of 4.2 per cent registered during the corresponding period of the last year. The year-on-year growth, as on May 26, 2006, was 18.5 per cent as compared with 13.9 per cent on the corresponding date of last year.

Net foreign exchange assets (NFA) of banking sector (up to May 26, 2006) registered an increase of 9.0 per cent as compared with a decline of 1.6 per cent in the same period last year. The annual growth rate of NFA, as on May 26, 2006, was 21.8 per cent as against 10.2 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	May 26, 2006	2005-06	2006-07	2005	2006
M3(I+II+III+IV)	2729972	2781098	4.2	1.9	13.9	18.5
I. Currency with the public	413092	440818	5.9	6.7	13.7	17.0
II. Demand deposits with banks	405267	370881	1.5	-8.5	18.8	28.1
III. Time deposits with banks	1904700	1962800	4.5	3.1	13.2	17.1
IV. Other deposits with RBI	6914	6599	-33.2	-4.6	13.7	52.6
Sources (1+2+3+4-5)						
1. Net bank credit to Govt. (A+B)	773574	792003	1.6	2.4	2.3	3.0
A. RBI's net credit to Govt.	12617	7760	-	-	-	-
B. Other bank credit to Govt.	760956	784243	1.4	3.1	5.0	-0.1
2. Bank credit to commercial sector	1690942	1682199	3.1	-0.5	27.4	27.4
3. Net foreign exchange assets of banking sector	713865	777824	-1.6	9.0	10.2	21.8
4. Government's currency liabilities to the public	8695	8695	0.6	-	2.3	16.0
5. Banking sector's net non-monetary liabilities other than time deposits	457103	479623	-12.1	4.9	23.2	23.3

Scheduled Commercial Banks (SCBs) : Business in India

During the current financial year (up to May 26, 2006) incremental gross bank credit declined by 0.9 per cent as compared with a growth of 3.7 per cent in the same period of the previous year. The year-on-year growth of gross bank credit as on May 26, 2006 was 30.9 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 May 26, 2006), registered a decline of 0.8 per cent as compared with an increase of 3.4 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 33.5 per cent on the corresponding date of last year.

The year-on-year growth of time deposits with SCBs as on May 26, 2006 was 18.3 per cent as compared with 14.1 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	May. 26, 2006	2005- 06	2006- 07	2005	2006
1. Bank credit	1507076	1493114	3.7	-0.9	32.1	30.9
Food credit	40690	39062	11.2	-4.0	5.1	-14.6
Non-Food credit	1466386	1454052	3.4	-0.8	33.5	32.7
2. Aggregate deposit	2109049	2136262	4.6	1.3	14.8	20.1
Demand deposit	364640	331444	2.2	-9.1	19.3	30.7
Time deposits	1744409	1804818	5.0	3.5	14.1	18.3
3. Investments in Govt. and other approved securities	717455	746769	1.3	4.1	3.7	-0.3
Government securities	700742	724185	1.4	3.3	4.2	-0.7
Other approved securities	16713	22584	-3.0	35.1	-13.3	15.4

INTEREST RATES (PER CENT PER ANNUM)

As on May 26, 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 4.00/5.95 per cent as compared with 3.25/5.25 per cent on the corresponding date of last year.

Item/week ended	2005	2006
	May 27	May 26
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	3.25/5.25	4.00/5.95
Lending	3.25/5.25	4.00/5.95

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, 2006 increased by 27.1 percent. Imports increased by 20.5 percent. Oil imports were increased by 34.7 percent and Non-oil imports were increased by 14.6 per cent.

Million US Dollar

Item			April (P)		% Change April
	2004-05(P)	2005-06 (P)	2005-06	2006-07	2006-07
Exports	80672	100607	6568	8347	27.1
Imports	106631	140238	10423	12561	20.5
POL	29858	43844	3089	4159	34.7
Non-POL	76772	96393	7334	8402	14.6
Trade Balance	-25959	-39631	-3855	-4214	-

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, 2999	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

* Provisional

Source : RBI.

EXTERNAL ASSISTANCE AND DEBT SERVICE PAYMENTS

Gross external aid during April, 2006 at Rs 1683 crore was 12.1 percent higher than that of Rs 1502 crore in April, 2005. Net disbursements were Rs. 646 crore as compared with Rs. 759 crore during same period last year. Net aid transfers were Rs 297 crore as compared with Rs 457 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	1043	1477	676	994	278	326
External Assistance – Non-Govt A/C	65	27	68	43	25	23
Govt. Grant	390	178	-	-	-	-
Non-Govt Grant	5	1	-	-	-	-
Grand Total	1502	1683	743	1037	302	349
Net Disbursement	759	646	-	-	-	-
Net Transfers	457	297	-	-	-	-
* April-May						

Rupees Per Unit of Foreign Currency

The average market exchange rate of the Rupee during May, 006 depreciated against US Dollar, Pound Sterling, Japanese Yen and Euro as compared with average market exchange rate of the Rupee during April, 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
@ FEDAI Rates				

INFLATION

The annual rate of inflation based on Wholesale Price Index (WPI) stood at 4.68 per cent for week ended May 27, 2006 compared with 5.25 per cent a year ago. This rate was contributed by an increase of 5.37 per cent in Primary Articles, 9.35 per cent increase in Fuel, Power, Lights and Lubricants and 2.58 per cent increase in Manufactured Products as against a declined of 0.05 per cent and increase of 10.82 per cent and 5.44 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 27-5-2006)	
		Last year	Current year	Last year	Current year
All Commodities	100.00	0.10	1.16	5.25	4.68
1.Primary articles	22.03	0.90	2.46	-0.05	5.37
2. Fuel, Power, Light and Lubricants	14.23	-0.03	1.14	10.82	9.35
3. Manufactured Products	63.75	-0.06	0.69	5.44	2.58

CONSUMER PRICE INDEX

All India Consumer Price Index for Industrial Workers (CPI-IW) for April, 2006 stood at 556 (increased by 0.9 per cent over previous month's level of 551). The level of CPI-IW of April, 2006 was higher than the level of April, 2005 by 5.1 per cent.

CONSUMER PRICE INDEX AND INFLATION RATE (%)		
(Base : 1982=100)		
	2005-06 (Apr., 2005)	2006-07 (Apr., 2006)
Annual Inflation	5.0	5.1
Financial Year Inflation	0.8	0.9
% Change over last month	0.8	0.9
Level of Index	529	556
Average of Index for 12 months ending April	521.58	544.50

PUBLIC FINANCE

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

	Budget Estimates 2005-06	April-February		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	229005	269140	74.0	76.6	9.9	17.5
Gross tax revenue	370025	233329	283723	73.4	76.7	18.2	21.6
Tax (net to Centre)	273466	168407	207847	72.0	76.0	17.3	23.4
Non Tax	77734	60598	61293	80.4	78.8	-6.7	1.1
2. Capital Receipts	163144	176201	142782	104.6	87.5	0.5	-19.0
of which:							
Recovery of loans	12000	57789	8984	213.2	74.9	-8.7	-84.5
Other Receipts	0	2914	1578	72.9		82.8	-45.8
Borrowings and other liabilities	151144	115498	132220	84.1	87.5	4.6	14.5
3. Total Receipts (1+2)	514344	405206	411922	84.8	80.1	5.6	1.7
4. Non-Plan Expenditure (a)+(b)	370847	300849	299579	90.6	80.8	4.4	-0.4
(a) Revenue Account	330530	253097	278408	86.2	84.2	5.2	10.0
<i>Of which:</i>							
Interest payments	133945	108615	111105	83.9	82.9	6.4	2.3
Major Subsidies	46098	39429	39319	93.8	85.3	-4.9	-0.3
Pensions	19542	16054	18283	100.8	93.6	12.7	13.9
(b) Capital Account	40317	47752	21171	123.7	52.5	0.5	-55.7
5. Plan Expenditure (i)+(ii)	143497	104357	112343	71.7	78.3	9.0	7.7
(i) Revenue Account	115982	68582	89384	74.7	77.1	12.0	30.3
(ii) Capital Account	27515	35775	22959	66.6	83.4	3.8	-35.8
6. Total Expenditure (4)+(5)=(a)+(b)	514344	405206	411922	84.8	80.1	5.6	1.7
(a) Revenue Expenditure	446512	321679	367792	83.4	82.4	6.6	14.3
(b) Capital Expenditure	67832	83527	44130	90.5	65.1	1.9	-47.2
7. Revenue Deficit	95312	92674	98652	121.7	103.5	-0.7	6.5
8. Fiscal Deficit	151144	115498	132220	84.1	87.5	4.6	14.5
9. Primary Deficit	17199	6883	21115	87.0	122.8	-18.2	206.8

Source : Controller General of Accounts, MOF, GOI.