

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

**MONTHLY ECONOMIC REPORT
OCTOBER, 2005**

HIGHLIGHTS

- The post-monsoon season rainfall from October 1, 2005 to October 19, 2005 was normal/excess in 44 per cent of meteorological sub-divisions.
- Food grain stocks were 18.83 million tonnes as on September 1, 2005
- Overall industrial growth was 8.8 per cent during April-August, 2005 as compared with 8.0 per cent in April-August, 2004.
- Core infrastructure sectors achieved an average growth rate of 5.1 per cent during April-August, 2005 as compared with 6.5 per cent in April-August, 2004.
- Broad Money (M3) growth (year-on-year) was 16.8 per cent (net of conversion, 16.6 per cent) as on September 30, 2005 as compared with 14.6 per cent last year.
- Exports grew by 20.5 per cent in dollar terms during April-September, 2005 as compared with 32.2 per cent in corresponding period last year. Imports grew by 33.1 per cent in April-September, 2005 as compared with 38.2 per cent in April-September, 2004.
- Forex reserves (excluding Gold and SDRs) stood at \$136.92 billion at the end of September, 2005.
- Rupee depreciated against US Dollar, Pound Sterling, Euro and Japanese Yen in September, 2005.
- The annual inflation rate in terms of WPI (Base 1993-94=100) was 4.62 per cent for the week ended October 8, 2005 as compared with 7.10 per cent a year ago.
- Tax revenue (net to Centre) during April-August, 2005 was higher by 27.9 per cent compared with an increase of 16.5 per cent in corresponding period last year.
- In terms of value, Fiscal deficit during April-August, 2005 was higher by 64.4 per cent over corresponding period last year.
- In terms of value, Revenue deficit April-August, 2005 was higher by 18.2 per cent over corresponding period last year.

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Adviser**

AGRICULTURE

POST-MONSOON SEASON RAINFALL*

(In the post-monsoon season October-December), the rainfall from October 1, 2005 to October 19, 2005 was normal/excess in 16 meteorological sub-divisions (44 per cent) and deficient/scanty in the remaining 20 (56 per cent). The annual average for 2000-2004 was normal/excess in 19 (52 per cent) meteorological sub-divisions and deficient/scanty in the remaining 17 (48 per cent).

Number of Meteorological Sub-divisions

	2000	2001	2002	2003	2004	2000-2004+	2005
Excess/Normal	10	27	8	19	30	19	16
Deficient/Scanty/Nil	26	9	28	17	6	17	20
Total	36	36	36	36	36	36	36

* (October-December)

+ Annual Average

PROCUREMENT

Wheat procurement up to October 20, 2005 in the current marketing year (i.e. 2005-06) was lower by 12.0 per cent at 14.79 million tonnes as compared with 16.80 million tonnes in the corresponding period of 2004-05. Procurement of rice during the marketing year 2005-06 (up to October 20, 2005) at 4.53 million tonnes was lower by 16.0 per cent than the level of 5.39 million tonnes during the corresponding period of 2003-04.

	Full Marketing Year				Up to Oct. 20		% 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	24.21	5.39	4.53	-16.0
Wheat(Apr-Mar)	20.63	19.06	15.80	16.80	16.80	14.79	-12.0
Total	41.91	35.47	38.63	41.01	22.19	19.32	-12.9

OFF-TAKE

Off-take from the Public Distribution System from Central Pool during April-August, 2005 was 15.85 million tonnes which was lower by 3.3 per cent than the off-take of 16.39 million tonnes during April-August, 2004.

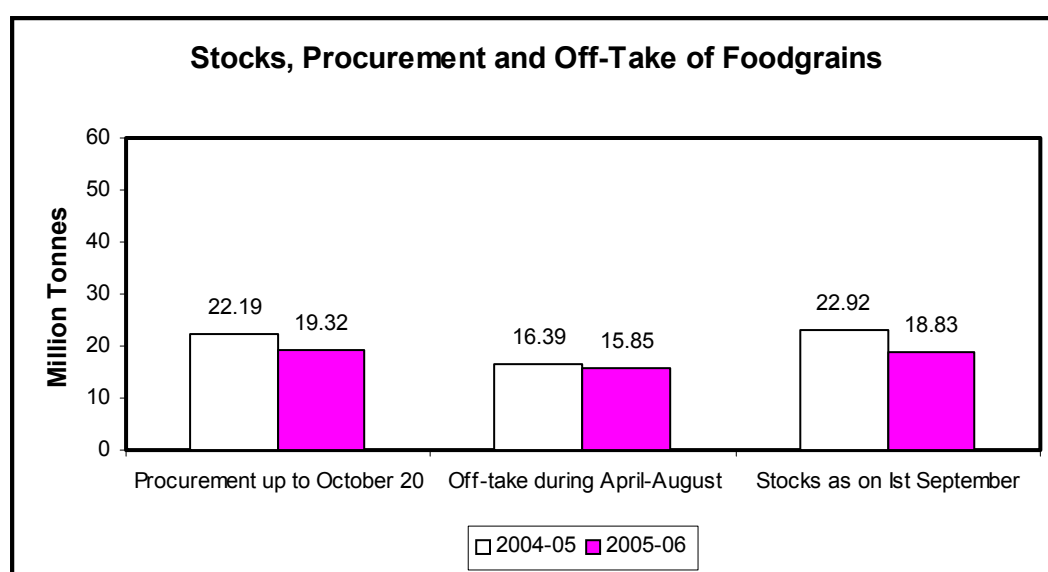
	2002-03(P)	2003-04(P)	2004-05(P)	April-August (P)	
				2004	2005
1	3	4	5	5	6
Rice	24.64	25.04	22.98	9.21	9.18
Wheat	24.99	24.29	18.27	7.18	6.67
Total	49.63	49.33	41.25	16.39	15.85

P : Provisional

STOCKS

Stocks of foodgrains as on September 1, 2005 was 18.83 million tonnes, which was lower by 17.8 per cent than the level of 22.92 million tonnes as on September 1, 2004.

	As on August 1		As on September 1	
	2004	2005	2004	2005
	Million Tonnes			
Rice	9.11	7.99	7.15	7.25
Wheat	17.43	12.98	15.77	11.58
Total	26.54	20.97	22.92	18.83

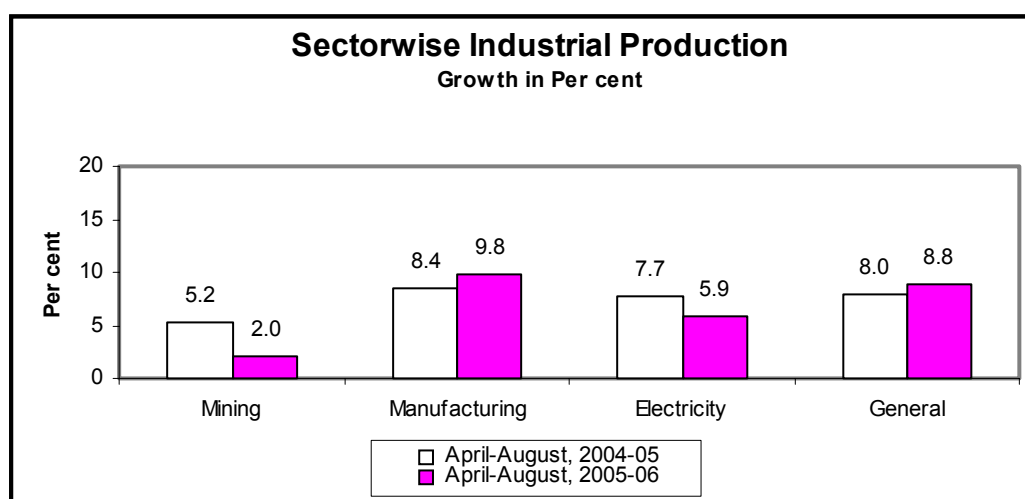


INDEX OF INDUSTRIAL PRODUCTION

The overall growth rate of index of industrial production (IIP) during April-August, 2005 was 8.8 percent as compared to 8.0 percent in April-August, 2004. The growth rates achieved by the mining, manufacturing and electricity sectors during April-August, 2005 was 2.0 percent, 9.8 percent and 5.9 percent respectively as compared to 5.2 percent, 8.4 percent and 7.7 percent respectively during corresponding period last year.

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

SECTORWISE INDEX OF INDUSTRIAL PRODUCTION						
(Base: 1993-94=100)						
(Percentage change)						
	2003-04	2004-05	Aug '04	Aug '05	April-August	
					2004-05	2005-06
General	7.0	8.2	8.6	7.4	8.0	8.8
Mining	5.2	4.4	4.4	-1.3	5.2	2.0
Manufacturing	7.4	9.0	9.1	8.2	8.4	9.8
Electricity	5.1	5.2	7.4	7.8	7.7	5.9
Use-Based Classification						
Basic goods	5.4	5.5	5.2	8.4	5.0	7.0
Capital goods	13.6	13.3	13.5	8.9	13.0	11.8
Intermediate goods	6.4	5.9	4.9	2.5	8.6	3.2
Consumer goods	7.1	11.5	14.4	10.6	9.3	15.1
<i>Of which</i>						
Consumer durables	11.6	14.3	20.1	13.1	15.4	13.2
Consumer non-durables	5.8	10.6	12.4	9.7	7.3	15.8



INFRASTRUCTURE

The six core infrastructure industries registered a lower growth of 5.1 per cent during April-August, 2005 as compared to 6.5 per cent in corresponding period last year.

PRODUCTION IN INFRASTRUCTURE INDUSTRIES								
		August		Full Yr.	April-August		% Change	
							April-August	
Industry/Infrastructure	Unit	2004	2005	2004-05	2004-05	2005-06	2004-05	2005-06
Coal	Mn tons	26.2	29.1	375.0	140.7	150.8	6.9	7.2
Electricity Generation	Mn kw	48325	52052	587366	242088	256138	7.8	5.8
Hydel	Mn kw	10659	13350	84497	38499	45454	24.1	18.1
Thermal (including nuclear)	Mn kw	37666	38411	502869	203588	209780	3.0	5.3
Crude petroleum	000 tons	2874	2412	33981	14221	13587	4.7	-4.5
Petroleum Products	000 tons	9797	10023	118216	49472	48586	8.8	-1.8
Finished steel	000 tons	3218	3470	38325	15098	16250	5.3	7.6
Cement	000 tons	9355	11023	131559	52513	58495	3.8	11.4
Average growth rate*	(%)	6.3	5.7	4.4	-	-	6.5	5.1
		August		Full Yr.	April-August		April-August	
Cargo handled at major ports	Mn tons	30.25	33.47	383.8	146.77	166.63	8.7	13.5
Telecommunications								
a) Net switching capacity	000 lines	616.98	666.46	6714.1	2234.41	2633.73	-6.7	17.9
b) Net Tele. Connections	000 nos	461.03	2361.0	6962.1	2423.86	4109.43	-34.2	69.5
Revenue earning goods traffic on railways	Mn tons	46.19	51.56	601.9	237.11	262.91	6.3	10.9
* 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-August, 2005 increased by 10.9 per cent as compared to 6.3 per cent in corresponding period last year.

(Million Tonnes)

1	2	3	4	5	6	7
	Full Year	August		April-August		% Change
Commodities	2004-05	2004	2005	2004	2005	April-August, 2005
Coal	271.06	20.65	23.00	107.26	116.15	8.3
Raw material for Steel Plants	44.11	3.28	3.94	16.60	20.54	23.7
Pig Iron & Finished Steel From Steel Plants	14.86	1.25	1.46	5.52	6.36	15.2
Iron Ore for Exports	36.33	3.27	3.94	14.33	16.98	18.5
Cement	54.23	4.09	4.10	21.78	22.72	4.3
Foodgrains	46.19	3.91	3.34	19.40	18.57	-4.3
Fertilizers	28.36	2.44	2.82	11.06	11.97	8.2
POL	32.40	2.50	2.71	13.15	13.77	4.7
Balance other goods	74.35	4.80	6.25	28.01	35.85	28.0
Total	601.89	46.19	51.56	237.11	262.91	10.9

MONEY AND BANKING

During the current financial year 2005-06, broad money stock (M3) (up to September 30, 2005) increased by 9.6 per cent as compared with the growth rate of 5.4 per cent registered during the corresponding period of the last year. The year-on-year growth as on September 30, 2005 was 16.8 per cent (exclusive of conversion, 16.6 per cent) as compared with 14.6 per cent on the corresponding date of last year.

Net foreign exchange assets (NFA) of banking sector (up to September 30, 2005) registered an increase of 1.8 per cent as compared with a growth of 10.1 per cent in the same period last year. The annual growth rate of NFA, as on September 30, 2005 was 14.0 per cent as against 34.2 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, 2005	Sept. 30, 2005	2004-05	2005-06	2004	2005
M3(I+II+III+IV)	22,53,938	24,69,332	5.4	9.6	14.6	16.8
	(22,50,369)	(24,65,763)				(16.6)
I. Currency with the public	3,55,768	3,63,925	2.0	2.3	12.9	13.2
II. Demand deposits with banks	2,84,017	3,32,074	1.0	16.9	15.8	27.1
III. Time deposits with banks	16,07,675	17,68,119	6.9	10.0	14.6	16.0
	(16,04,106)	(17,64,550)				(15.7)
IV. Other deposits with RBI	6,478	5,214	37.5	-19.5	68.4	-25.9
Sources (1+2+3+4-5)						
1. Net bank credit to Govt. (A+B)	7,57,906	7,54,547	0.6	-0.4	4.1	1.0
	(7,45,713)	(7,42,354)				(-0.6)
A. RBI's net credit to Govt.	-17,975	-33,950	-	-	-	-
B. Other bank credit to Govt.	7,75,880	7,88,497	5.8	1.6	15.1	6.8
2. Bank credit to commercial sector	12,80,540	14,40,498	9.5	12.5	19.6	29.5
	(12,47,858)	(14,07,816)				(26.6)
3. Net foreign exchange assets of banking sector	6,49,255	6,60,700	10.1	1.8	34.2	14.0
4. Government's currency liabilities to the public	7,448	7,521	0.6	1.0	1.6	2.4
5. Banking sector's net non-monetary liabilities other than time deposits	4,41,210	3,93,934	15.5	-10.7	37.4	18.7

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 September 30, 2005) incremental gross bank credit increased by 14.2 per cent as compared with a growth of 11.7 per cent in the same period of the previous year. The year-on-year growth of gross bank credit as on September 30, 2005 was 33.8 per cent (exclusive of conversion, 30.3 per cent) as against 23.9 per cent on the corresponding date of last year.

Non-Food credit during the financial year so far (up to September 30, 2005), registered a growth of 14.8 per cent as compared with 11.9 per cent during the same period of the last year. The year-on-year growth rate of non-food credit was 35.1 per

cent (exclusive of conversion, 31.5 per cent) as compared with 24.9 per cent on the corresponding date of last year.

The year-on-year growth of time deposits with SCBs as on September 30, 2005 was 17.1 per cent (exclusive of conversion, 16.8 per cent) as compared with 15.8 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	Sept. 30, 2005	2004- 05	2005- 06	2004	2005
1. Bank credit	1100429	1256140	11.7	14.2	23.9	33.8
	(1067747)	(1223458)				(30.3)
Food credit	41121	39549	7.4	-3.8	3.4	2.4
Non-Food credit	1059308	1216591	11.9	14.8	24.9	35.1
	(1026626)	(1183909)				(31.5)
2. Aggregate deposit	1700199	1909214	6.8	12.3	15.8	18.8
	(1696630)	(1905645)				(18.6)
Demand deposit	248028	295994	2.0	19.3	16.3	29.0
Time deposits	1452171	1613220	7.7	11.1	15.8	17.1
	(1448602)	(1609651)				(16.8)
3. Investments in Govt. and other approved securities	739154	753436	4.2	1.9	13.1	6.7
	(726961)	(741244)				(5.0)
Government securities	718982	729116	4.5	1.4	13.9	6.6
	(706789)	(716924)				(4.8)
Other approved securities	20172	24320	-3.9	20.6	-6.9	10.9

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 September 30, 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 3.00/5.90 per cent as compared with 2.00/5.00 per cent on the corresponding date of last year.

Item/week ended	2004	2005
	Oct. 1	Sept. 30
1	2	3
Bank Rate	6.00	6.00
IDBI ¹	10.25	10.25
Prime Lending Rate ²	10.25-10.75	10.25-10.75
Deposit Rate ³	5.00-5.50	5.25-6.25
Call Money Rate ⁴ (Low/High)		
Borrowings	2.00/5.00	3.00/5.90
Lending	2.00/5.00	3.00/5.90

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.

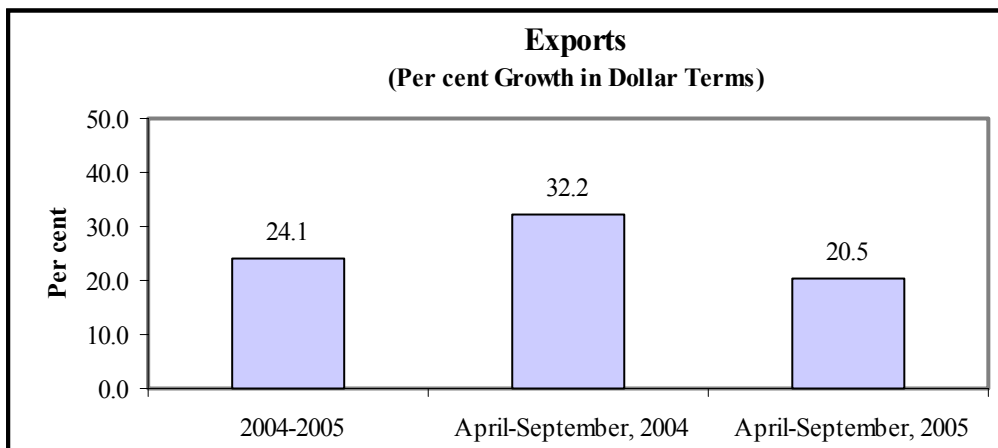
FOREIGN TRADE

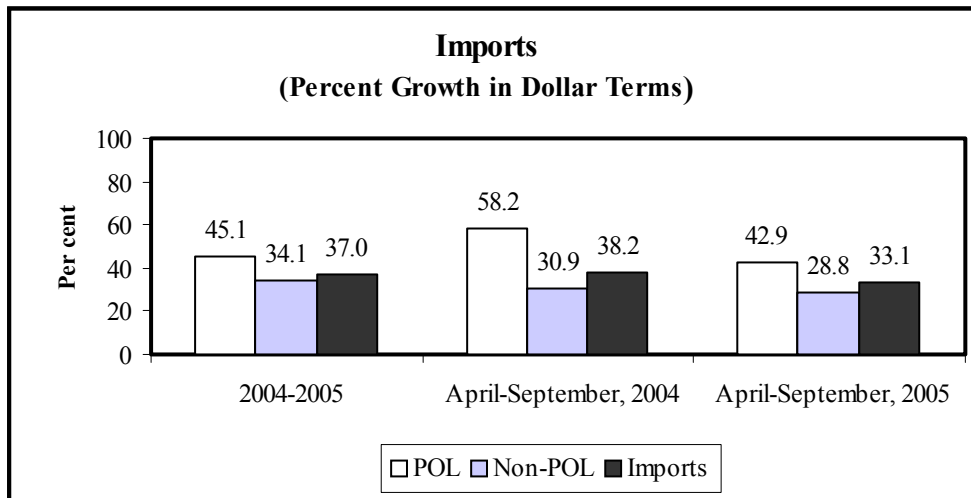
Exports in dollar terms during April-September, 2005 increased by 20.5 percent as compared to an increase of 32.2 percent in April-September, 2004. Imports increased by 33.1 percent in April-September, 2005 as against an increase of 38.2 percent in corresponding period last year.

Item	2003-04(R)	2004-05 (P)	April-Sept.		April-Sept. % Change	
			2004-05	2005-06	2004-05	2005-06
Rs. Crore						
Exports	293367	356069	163363	188659	29.5	15.5
Imports	359108	481064	217583	277365	35.3	27.5
POL	94520	134094	66368	90936	54.8	37.0
Non-POL	264588	346970	151215	186429	28.3	23.3
Trade Balance	-65741	-124995	-54220	-88706	-	-
Million Dollars						
Exports	63843	79247	35863	43224	32.2	20.5
Imports	78149	107066	47749	63550	38.2	33.1
POL	20569	29844	14577	20834	58.2	42.9
Non-POL	57580	77222	33172	42716	30.9	28.8
Trade Balance	-14306	-27819	-11886	-20327	-	-

(R) : Revised (P) Provisional

Source : 1. For 2003-04 (R) and 2004-05 (P), DGCI&S.
2. April-September data is as per Ministry of Commerce & Industry Monthly Press Note.





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
July	585319	134587	9455	2235
August	608225	138107	22906	3520
September*	602309	136920	-5916	-1187

* Provisional

EXTERNAL ASSISTANCE AND DEBT SERVICE PAYMENTS

Gross external aid during April-August, 2005 at Rs 5378.89 crore was 5.8 percent higher than that of Rs 5086.31 crore in April-August, 2004. Net Aid flows were Rs. 1994.51 crore as compared with Rs. 1818.46 crore during same period last year and Net Aid Transfers were Rs. 576.76 crore as compared with Rs. 473.52 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	4029.26	4228.17	2789.67	2892.27	1106.97	1208.54
External Assistance – Non-Govt A/C	344.44	420.78	478.18	542.11	237.97	209.21
Govt. Grant	688.88	704.81	-	-	-	-
Non-Govt Grant	23.73	25.13	-	-	-	-
Grand Total	5086.31	5378.89	3267.85	3384.38	1344.94	1417.75
Net Disbursement	1818.46	1994.51	-	-	-	-
Net Transfers	473.52	576.76				

* April-August

Rupees Per Unit of Foreign Currency

The average market exchange rate of the Rupee during September, 2005 depreciated against US Dollar, Pound Sterling, Euro and Japanese Yen as compared with average market exchange rate of the Rupee during August, 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
July	43.54	76.36	0.3892	52.45
August	43.63	78.15	0.3939	53.59
September	43.92	79.47	0.3955	53.83

@ FEDAI Rates

INFLATION

The annual rate of inflation based on Wholesale Price Index (WPI) stood at 4.62 per cent for week ended October 8, 2005 compared with 7.10 per cent a year ago. This rate was contributed by an increase of 2.52 per cent in Primary Articles, 12.02 per cent increase in Fuel, Power, Lights and Lubricants and 2.63 per cent increase in Manufactured Products as against an increase of 3.76 per cent, 10.71 per cent and 7.18 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) (ending 8-10-2005)	
		Last year	Current year	Last year	Current year
All Commodities	100.00	-0.63	0.41	7.10	4.62
1.Primary articles	22.03	-2.01	-0.20	3.76	2.52
2. Fuel, Power, Light and Lubricants	14.23	-0.28	0.35	10.71	12.02
3. Manufactured Products	63.75	-0.24	0.59	7.18	2.63

CONSUMER PRICE INDEX

All India Consumer Price Index for Industrial Workers (CPI-IW) for August, 2005 stood at 540 (increase of 0.4 per cent over previous month's level of 538). The level of CPI-IW of August, 2005 was higher than the level of August, 2004 by 3.5 per cent.

CONSUMER PRICE INDEX AND INFLATION RATE (%)		
(Base : 1982=100)		
	2004-05 (Up to Aug., 2004)	2005-06 (Up to Aug., 2005)
Annual Inflation	4.6	3.5
Financial Year Inflation	3.6	2.9
% Change over last month	1.0	0.4
Level of Index	522	540
Average of Index for 12 months ending August	506.92	527.83

PUBLIC FINANCE

Trends in Central Government Finances: April-August 2005

	Budget Estimates 2005-06	April-August		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	68357	81169	22.1	23.1	7.3	18.7
Gross tax revenue	370025	75414	92877	23.7	25.1	19.1	23.2
Tax (net to Centre)	273466	45721	58482	19.5	21.4	16.5	27.9
Non Tax	77734	22636	22687	30.0	29.2	-7.5	0.2
2. Capital Receipts	163144	85261	89620	50.6	54.9	4.9	5.1
of which:							
Recovery of loans	12000	32565	3281	120.2	27.3	-11.2	-89.9
Other Receipts	0	187	11	4.7		--	-94.1
Borrowings and other liabilities	151144	52509	86328	38.2	57.1	20.8	64.4
3. Total Receipts (1+2)	514344	153618	170789	32.1	33.2	6.0	11.2
4. Non-Plan Expenditure (a)+(b)	370847	115818	123453	34.9	33.3	6.5	6.6
(a) Revenue Account	330530	106320	116663	36.2	35.3	4.1	9.7
<i>Of which:</i>							
Interest payments	133945	45091	44770	34.8	33.4	6.0	-0.7
Major Subsidies	46098	18422	19947	43.8	43.3	-11.0	8.3
Pensions	19542	6299	7547	39.5	38.6	31.2	19.8
(b) Capital Account	40317	9498	6790	24.6	16.8	43.3	-28.5
5. Plan Expenditure (i)+(ii)	143497	37800	47336	26.0	33.0	4.4	25.2
(i) Revenue Account	115982	24943	38878	27.2	33.5	11.6	55.9
(ii) Capital Account	27515	12857	8458	23.9	30.7	-7.1	-34.2
6. Total Expenditure (4)+(5)=(a)+(b)	514344	153618	170789	32.1	33.2	6.0	11.2
(a) Revenue Expenditure	446512	131263	155541	34.1	34.8	5.5	18.5
(b) Capital Expenditure	67832	22355	15248	24.2	22.5	9.2	-31.8
7. Revenue Deficit	95312	62906	74372	82.6	78.0	3.5	18.2
8. Fiscal Deficit	151144	52509	86328	38.2	57.1	20.8	64.4
9. Primary Deficit	17199	7418	41558	93.8	241.6	716.1	460.2

Source : Controller General of Account, MOF, GOI.

