

MONTHLY ECONOMIC REPORT SEPTEMBER, 2005

HIGHLIGHTS

- The monsoon season rainfall from June 1, 2005 to September 30, 2005 was normal/excess in 89 per cent of meteorological sub-divisions.
- Food grain stocks were 20.97 million tonnes as on August 1, 2005
- Overall industrial growth was 9.3 per cent during April-July, 2005 as compared with 7.9 per cent in April-July, 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 15.7 per cent (net of conversion, 15.5 per cent) as on September 16, 2005 as compared with 14.4 per cent last year.
- Exports grew by 23.0 per cent in dollar terms during April-August, 2005 as compared with 33.1 per cent in corresponding period last year. Imports grew by 37.1 per cent in April-August, 2005 as compared with 36.3 per cent in April-August, 2004.
- Forex reserves (excluding Gold and SDRs) stood at \$138.11 billion at the end of August, 2005.
- Rupee depreciated against US Dollar, Pound Sterling, Euro and Japanese Yen in August, 2005.
- The annual inflation rate in terms of WPI (Base 1993-94=100) was 3.53 per cent for the week ended September 10, 2005 as compared with 8.15 per cent a year ago.
- Tax revenue (net to Centre) during April-July, 2005 was higher by 25.5 per cent compared with an increase of 20.1 per cent in corresponding period last year.
- In terms of value, Fiscal deficit during April-July, 2005 was higher by 53.7 per cent over corresponding period last year.
- In terms of value, Revenue deficit April-July, 2005 was higher by 18.7 per cent over corresponding period last year.

**(R. C. Srinivasan)
Adviser**

AGRICULTURE

MONSOON SEASON RAINFALL*

The monsoon season rainfall from June 1, 2005 to September 30, 2005 was normal/excess in 32 meteorological sub-divisions (89 per cent) and deficient/scanty in the remaining 4 (11 per cent). The annual average for 2000 -2004 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						2005
	2000	2001	2002	2003	2004	2000-2004+	
Excess/Normal	26	29	20	33	23	26	32
Deficient/Scanty/Nil	10	7	16	3	13	10	4
Total	36	36	36	36	36	36	36

* (June-September)

+ Annual Average

PROCUREMENT

Wheat procurement up to September 23, 2005 in the current marketing year (i.e. 2005-06) was lower by 12.0 per cent at 14.79 million tonnes compared with 16.80 million tonnes in the corresponding period of 2004-05. Procurement of rice during the marketing year 2004-05 (up to September 23, 2005) at 24.51 million tonnes was higher by 7.9 per cent than the level of 22.71 million tonnes during the corresponding period of 2003-04.

	Full Marketing Year				Up to Sept. 23		% change Col. 7/Col.6
	2001-02	2002-03	2003-04	2004-05	2004	2005	
	Million Tonnes						
1	2	3	4	5	6	7	8
Rice(Oct-Sept.)	21.28	16.41	22.83	-	22.71	24.51	7.9
Wheat(Apr-Mar)	20.63	19.06	15.80	16.80	16.80	14.79	-12.0
Total	41.91	35.47	38.63	16.80	39.51	39.30	-0.5

OFF-TAKE

Off-take from the Public Distribution System from Central Pool during April-July, 2005 was 12.35 million tonnes which was lower by 4.6 per cent than the off-take of 12.94 million tonnes during April-July, 2004.

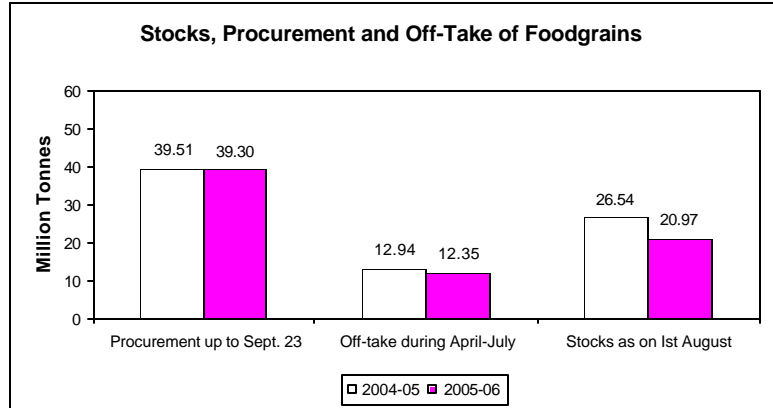
	2002-03(P)	2003-04(P)	2004-05(P)	April-July (P)	
				2004	2005
1	3	4	5	5	6
Rice	24.64	25.04	22.98	7.34	6.95
Wheat	24.99	24.29	18.27	5.60	5.40
Total	49.63	49.33	41.25	12.94	12.35

P : Provisional

STOCKS

Stocks of foodgrains as on August 1, 2005 was 20.97 million tonnes, which was lower by 21.0 per cent than the level of 26.54 million tonnes as on August 1, 2004.

	As on July 1		As on August 1	
	2004	2005	2004	2005
	Million Tonnes			
Rice	10.76	10.07	9.11	7.99
Wheat	19.15	14.45	17.43	12.98
Total	29.91	24.52	26.54	20.97



INDEX OF INDUSTRIAL PRODUCTION

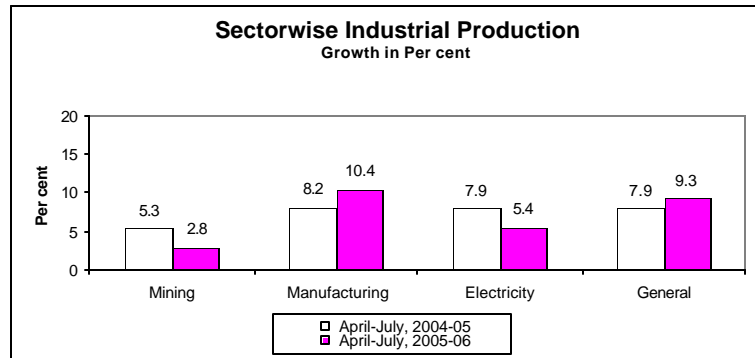
The overall growth rate of index of industrial production (IIP) during April-July, 2005 was 9.3 percent as compared to 7.9 percent in April-July, 2004. The growth rates achieved by the mining, manufacturing and electricity sectors during April-July, 2005 was 2.8 percent, 10.4 percent and 5.4 percent respectively as compared to 5.3 percent, 8.2 percent and 7.9 percent respectively during corresponding period last year.

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

SECTORWISE INDEX OF INDUSTRIAL PRODUCTION

(Base: 1993-94=100)

	2003-04	2004-05	Jul '04	Jul '05	(Percentage change)	
					April-July	
					2004-05	2005-06
General	7.0	8.2	8.5	6.2	7.9	9.3
Mining	5.2	4.4	4.2	-1.6	5.3	2.8
Manufacturing	7.4	9.0	8.4	7.7	8.2	10.4
Electricity	5.1	5.2	13.7	-0.9	7.9	5.4
Use-Based Classification						
Basic goods	5.4	5.5	5.7	3.5	4.9	6.7
Capital goods	13.6	13.3	11.6	11.5	12.9	13.2
Intermediate goods	6.4	5.9	6.4	3.4	9.5	3.6
Consumer goods	7.1	11.5	12.7	10.0	7.9	16.3
<i>Of which</i>						
Consumer durables	11.6	14.3	20.1	3.8	14.2	13.0
Consumer non-durables	5.8	10.6	10.2	12.3	6.0	17.4



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
		July		Full Yr.	April-July		April-July	
Cargo handled at major ports	Mn tons	30.57	32.73	383.8	116.5	133.0	8.7	14.1
Telecommunications								
a) Net switching capacity	000 lines	450.4	843.4	6714.1	1617.4	1967.3	343.1	21.6
b) Net Tele. Connections	000 nos	534.7	729.4	6962.1	1962.8	1748.4	-31.9	-10.9
Revenue earning goods traffic on railways	Mn tons	49.66	51.37	601.9	190.92	211.35	6.9	10.7

* 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).

Revenue earning goods traffic handled by Railways

The revenue earning goods traffic handled by Railways during April-July, 2005 increased by 10.7 per cent as compared to 6.9 per cent in corresponding period last year.

(Million Tonnes)

1	2	3	4	5	6	7
	Full Year	July		April-July		% Change
Commodities	2004-05	2004	2005	2004	2005	April-July, 2005
Coal	271.06	22.27	22.45	86.62	93.16	7.6
Raw material for Steel Plants	44.11	3.61	4.19	13.32	16.57	24.4
Pig Iron & Finished Steel From Steel Plants	14.86	1.18	1.27	4.28	4.90	14.5
Iron Ore for Exports	36.33	3.11	3.50	11.08	13.04	17.7
Cement	54.23	4.28	4.02	17.68	18.63	5.4
Foodgrains	46.19	4.28	3.72	15.48	15.24	-1.6
Fertilizers	28.36	2.39	2.51	8.65	9.17	6.0
POL	32.40	2.75	2.87	10.65	11.06	3.8
Balance other goods	74.35	5.79	6.84	23.16	29.58	27.7
Total	601.89	49.66	51.37	190.92	211.35	10.7

MONEY AND BANKING

During the current financial year 2005-06, broad money stock (M3) (up to September 16, 2005) increased by 7.5 per cent as compared with the growth rate of 4.5 per cent registered during the corresponding period of the last year. The year-on-year growth as on September 16, 2005 was 15.7 per cent (exclusive of conversion, 15.5 per cent) as compared with 14.4 per cent on the corresponding date of last year.

Net foreign exchange assets (NFA) of banking sector (up to September 16, 2005) registered an increase of 2.1 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 September 16, 2005 was 15.4 per cent as against 30.7 per cent on the corresponding date of last year.

Items	Outstanding as on (Rs. crore)		% Variations			
	March 31, 2005	Sept. 16, 2005	Financial year so far		Year-on-year	
			2004-05	2005-06	2004	2005
M3(I+II+III+IV)	2253938	2423710	4.5	7.5	14.4	15.7
	(2250369)	(2420141)				(15.5)
I. Currency with the public	355768	370361	3.6	4.1	15.1	13.5
II. Demand deposits with banks	284017	306870	-4.9	8.0	20.7	24.8
III. Time deposits with banks	1607675	1741080	6.4	8.3	13.3	14.7
	(1604106)	(1737511)				(14.4)
IV. Other deposits with RBI	6478	5399	-13.8	-16.7	20.5	22.4
Sources (1+2+3+4-5)						
1. Net bank credit to Govt. (A+B)	757906	768432	0.3	1.4	5.2	3.2
	(745713)	(756239)				(1.5)
A. RBI's net credit to Govt.	-17975	-26306	-	-	-	-
B. Other bank credit to Govt.	775880	794737	6.1	2.4	14.8	7.4
2. Bank credit to commercial sector	1280540	1411041	8.2	10.2	21.1	28.4
	(1247858)	(1378359)				(25.4)
3. Net foreign exchange assets of banking sector	649255	662891	9.1	2.1	30.7	15.4
4. Government's currency liabilities to the public	7448	7495	0.6	0.6	1.6	2.1
5. Banking sector's net non-monetary liabilities other than time deposits	441210	426149	15.1	-3.4	43.4	28.9

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 16, 2005) incremental gross bank credit increased by 11.2 per cent (exclusive of conversion, 11.6 per cent) as compared with a growth of 9.5 per cent in the same period of the previous year. The year-on-year growth of gross bank credit as on September 16, 2005 was 33.0 per cent (exclusive of conversion, 29.4 per cent) as against 25.2 per cent on the corresponding date of last year.

Non-Food credit during the financial year so far (up to September 16, 2005), registered a growth of 11.7 per cent as compared with 9.6 per cent during the same period of the last year. The year-on-year growth rate of non-food credit was 34.2 per

cent (exclusive of conversion, 30.4 per cent) as compared with 26.4 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 15.9 per cent (exclusive of conversion, 15.6 per cent) as compared with 14.0 per cent on the corresponding date of last year.

Items	Outstanding as on		% Variations			
	(Rs. Crore)		Financial year		Year-on-year	
	March 18, 2005	Sept. 16, 2005	2004-05	2005-06	2004	2005
1. Bank credit	1100429	1223857	9.5	11.2	25.2	33.0
	(1067747)	(1191174)		(11.6)		(29.4)
Food credit	41121	40248	6.2	-2.1	1.9	5.4
Non-Food credit	1059308	1183609	9.6	11.7	26.4	34.2
	(1026626)	(1150926)				(30.4)
2. Aggregate deposit	1700199	1856337	5.3	9.2	15.1	17.2
	(1696630)	(1852768)		(9.2)		(17.0)
Demand deposit	248028	270998	-4.4	9.3	22.4	26.0
Time deposits	1452171	1585339	7.0	9.2	14.0	15.9
	(1448602)	(1581770)		(9.2)		(15.6)
3. Investments in Govt. and other approved securities	739154	759436	4.4	2.7	12.6	7.4
	(726961)	(747243)		(2.8)		(5.6)
Government securities	718982	735058	4.7	2.2	13.4	7.3
	(706789)	(722865)		(2.3)		(5.5)
Other approved securities	20172	24378	-3.3	20.9	-6.9	10.4

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 16, 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 4.00/5.70 per cent as compared with 2.05/6.12 per cent on the corresponding date of last year.

Item/week ended	2004	2005
	Sept. 17	Sept. 16
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	2.05/6.12	4.00/5.70
Lending	1.83/5.40	4.00/5.70

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

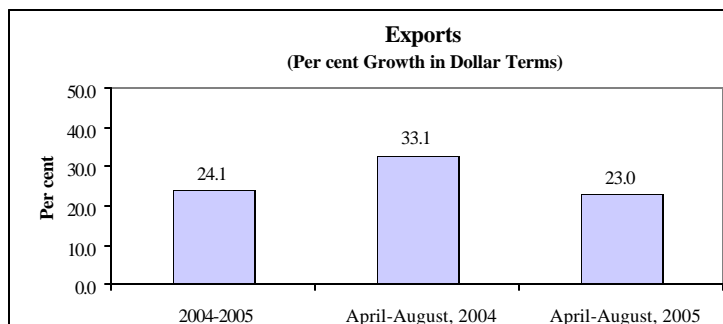
Exports in dollar terms during April-August, 2005 increased by 23.0 percent as compared to an increase of 33.1 percent in April-August, 2004. Imports increased by 37.1 percent in April-August, 2005 as against an increase of 36.3 percent in corresponding period last year.

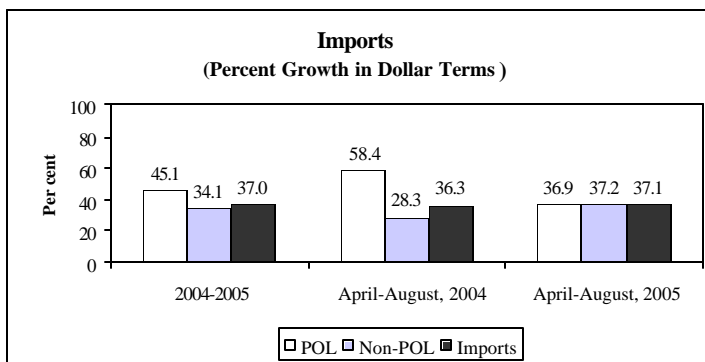
Item			April-August		April-August % Change	
	2003-04(R)	2004-05 (P)	2004-05	2005-06	2004-05	2005-06
	Rs. Crore					
Exports	293367	356069	132080	155890	29.5	18.0
Imports	359108	481064	176356	231866	32.7	31.5
POL	94520	134094	54507	71617	54.1	31.4
Non-POL	264588	346970	121849	160249	24.9	31.5
Trade Balance	-65741	-124995	-44276	-75976	-	-
	Million Dollars					
Exports	63843	79247	29077	35760	33.1	23.0
Imports	78149	107066	38805	53191	36.3	37.1
POL	20569	29844	12002	16428	58.4	36.9
Non-POL	57580	77222	26803	36763	28.3	37.2
Trade Balance	-14306	-27819	-9728	-17431	-	-

(R) : Revised (P) Provisional

Source: 1. For 2003-04 (R) and 2004-05 (P), DGCI&S.

2. April-August 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

* Provisional

Source : RBI.

EXTERNAL ASSISTANCE AND DEBT SERVICE PAYMENTS

Gross external aid during April-June, 2005 at Rs 3005.69 crore was 17.7 percent higher than that of Rs 2553.85 crore in April-June, 2004. Net Aid flows were Rs. 1107.69 crore as compared with Rs. 521.65 crore during same period last year and Net Aid Transfers were Rs. 328.43 crore as compared with Rs. (-) 289.11 crore during corresponding period last year.

EXTERNAL ASSISTANCE AND DEBT SERVICE PAYMENTS*

		Receipts		Repayment of Principal		Payment of Interest	
		2004-05	2005-06	2004-05	2005-06	2004-05	2005-06
External Assistance - Govt A/C	2017.15	2463.00	1616.66	1581.28	624.36	641.76	
External Assistance - Non-Govt A/C	253.40	79.68	415.54	316.72	186.40	137.50	
Govt. Grant	264.14	458.17	-	-	-	-	
Non-Govt Grant	19.16	4.84	-	-	-	-	
Grand Total	2553.85	3005.69	2032.20	1898.00	810.76	779.26	
Net Disbursement	521.65	1107.69	-	-	-	-	
Net Transfers	-289.11	328.43					

* April-June

Rupees Per Unit of Foreign Currency

The average market exchange rate of the Rupee during August, 2005 depreciated against US Dollar, Pound Sterling, Euro and Japanese Yen as compared with average market exchange rate of the Rupee during July, 2005.

	US Dollar	Pound Sterling	Japanese Yen	(Market Rate)@ 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

@ FEDAI Rates

INFLATION

The annual rate of inflation based on Wholesale Price Index (WPI) stood at 3.53 per cent for week ended September 10, 2005 compared with 8.15 per cent a year ago. This rate was contributed by an increase of 0.67 per cent in Primary Articles, 11.31 per cent increase in Fuel, Power, Lights and Lubricants and 1.79 per cent increase in Manufactured Products as against an increase of 7.48 per cent, 10.76 per cent and 7.44 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 10-9-2005)	
		Last year	Current year	Last year	Current year
All Commodities	100.00	0.80	1.18	8.15	3.53
1.Primary articles	22.03	1.30	2.14	7.48	0.67
2. Fuel, Power, Light and Lubricants	14.23	1.15	3.29	10.76	11.31
3. Manufactured Products	63.75	0.48	0.06	7.44	1.79

CONSUMER PRICE INDEX

All India Consumer Price Index for Industrial Workers (CPI-IW) for July, 2005 which stood at 538, decreased by 1.7 per cent over previous month's level of 529. The level of CPIIW of July 2005 was higher than the level of July 2004 by 4.1 per cent.

CONSUMER PRICE INDEX AND INFLATION RATE (%)		
	2004-05 (July, 2004)	2005-06 (July, 2005)
Annual Inflation	3.2	4.1
Financial Year Inflation	2.6	2.5
% Change over last month	1.0	1.7
Level of Index	517	538
Average of Index for 12 months ending July	505.00	526.30

PUBLIC FINANCE

Trends in Central Government Finances: April-July 2005

	Budget	April-July		Col.3 as	Col. 4 as	% Change over	
	Estimates			% of	% of	preceding year	
	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05	2005-06
	(Rs. Crore)			BE	BE	(4/3)	(4/3)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1. Revenue Receipts	351200	46884	56304	15.2	16.0	15.5	20.1
Gross tax revenue	370025	58357	71466	18.4	19.3	19.8	22.5
Tax (net to Centre)	273466	35022	43964	15.0	16.1	20.1	25.5
Non Tax	77734	11862	12340	15.7	15.9	3.7	4.0
2. Capital Receipts	163144	76412	79769	45.3	48.9	-1.9	4.4
of which:							
Recovery of loans	12000	25829	2288	95.3	19.1	6.4	-91.1
Other Receipts	0	185	1	4.6		--	-99.5
Borrowings and other liabilities	151144	50398	77480	36.7	51.3	-4.0	53.7
3. Total Receipts (1+2)	514344	123296	136073	25.8	26.5	4.1	10.4
4. Non-Plan Expenditure (a)+(b)	370847	93048	98441	28.0	26.5	3.9	5.8
(a) Revenue Account	330530	84919	94150	28.9	28.5	1.2	10.9
Of which:							
Interest payments	133945	36618	34082	28.3	25.4	5.0	-6.9
Major Subsidies	46098	14226	17928	33.9	38.9	-18.3	26.0
Pensions	19542	4813	5933	30.2	30.4	43.2	23.3
(b) Capital Account	40317	8129	4291	21.1	10.6	45.0	-47.2
5. Plan Expenditure (i)+(ii)	143497	30248	37632	20.8	26.2	4.6	24.4
(i) Revenue Account	115982	20041	31083	21.8	26.8	11.2	55.1
(ii) Capital Account	27515	10207	6549	19.0	23.8	-6.4	-35.8
6. Total Expenditure (4)+(5)=(a)+(b)	514344	123296	136073	25.8	26.5	4.1	10.4
(a) Revenue Expenditure	446512	104960	125233	27.2	28.0	2.9	19.3
(b) Capital Expenditure	67832	18336	10840	19.9	16.0	11.1	-40.9
7. Revenue Deficit	95312	58076	68929	76.2	72.3	-5.4	18.7
8. Fiscal Deficit	151144	50398	77480	36.7	51.3	-4.0	53.7
9. Primary Deficit	17199	13780	43398	174.3	252.3	-22.0	214.9

Source : Controller General of Accounts.

