

I. THE REAL ECONOMY

Growth Rates

The Indian economy exhibited a strong performance during 2005-06, led by sustained growth in the industry and the services sectors. According to the advance estimates of the Central Statistical Organisation (CSO), real GDP growth accelerated from 7.5 per cent in 2004-05 to 8.1 per cent in 2005-06 (Table 1). Growth in industry was propelled by the manufacturing activity which more than offset the deceleration in 'mining and quarrying'. The services sector, which recorded double-digit growth for the second successive year, continued to be the major driver of economic activity, contributing almost three-fourth of overall real GDP growth during 2005-06 (Chart 1). Within the services sector, 'trade, hotels, transport and communication' and

**Table 1: Growth Rates of Real GDP
(Base Year: 1999-2000)**

Sector	(Per cent)											
	2000-01 to 2002-03 (Average)	2003- 04*	2004- 05#	2005- 06@	2004-05			2005-06			2004- 05	2005- 06
					Q1	Q2	Q3	Q1	Q2	Q3	First Three Quarters	
1	2	3	4	5	6	7	8	9	10	11	12	13
1. Agriculture and Allied Activities	-0.2 (24.7)	10.0 (22.2)	0.7 (20.8)	2.3 (19.7)	3.5	-0.2	-1.2	1.4	2.4	3.4	0.5	2.5
1.1 Agriculture	-0.5	10.7	0.7	..								
2. Industry	5.2 (19.6)	6.6 (19.5)	7.4 (19.5)	8.0 (19.5)	6.6	8.0	8.1	9.9	6.7	7.1	7.6	7.9
2.1 Mining and Quarrying	4.4	5.3	5.8	1.0	8.2	6.0	5.7	3.7	-1.9	0.6	6.6	0.8
2.2 Manufacturing	5.7	7.1	8.1	9.4	6.6	8.3	9.2	11.3	8.6	8.4	8.1	9.4
2.3 Electricity, Gas and Water Supply	2.8	4.8	4.3	5.4	4.9	7.9	3.1	6.9	2.2	4.4	5.3	4.5
3. Services	6.6 (55.8)	8.5 (58.3)	10.2 (59.7)	10.1 (60.9)	10.1	8.4	10.7	10.0	10.0	9.7	9.7	9.9
3.1 Trade, Hotels, Restaurants, Transport, Storage and Communication	8.5	12.0	10.6	11.1	10.6	11.2	9.7	11.7	11.2	10.3	10.5	11.0
3.2 Financing, Insurance, Real Estate and Business Services	6.5	4.5	9.2	9.5	8.8	7.5	9.7	8.7	9.8	9.1	8.7	9.2
3.3 Community, Social and Personal Services	4.1	5.4	9.2	7.9	10.7	4.8	8.5	7.0	7.3	8.1	7.9	7.5
3.4 Construction	5.9	10.9	12.5	12.1	9.9	7.9	22.0	12.4	12.3	11.5	13.3	12.0
4. Real GDP at Factor Cost	4.6	8.5	7.5	8.1	7.9	6.7	7.0	8.1	8.0	7.6	7.2	7.9

* : Provisional Estimates.

: Quick Estimates.

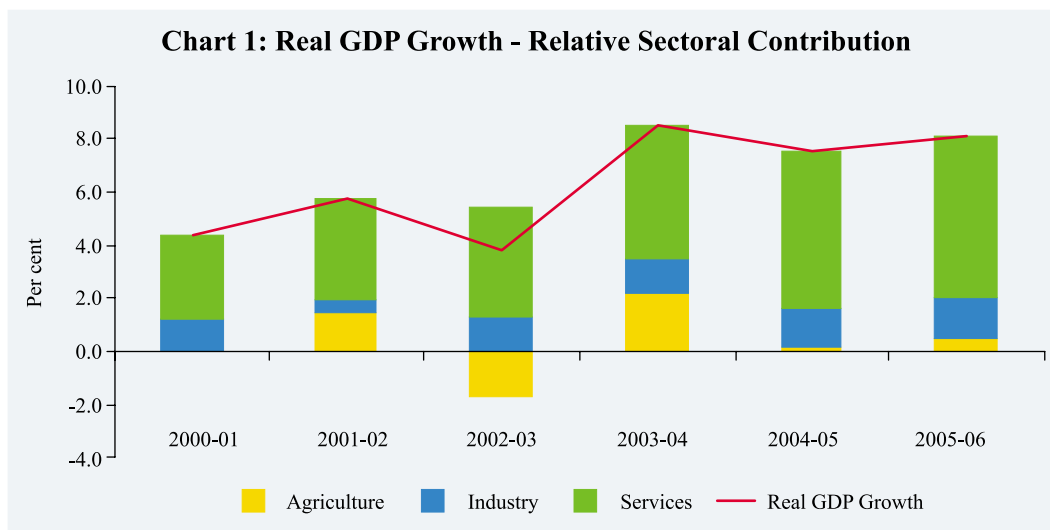
@ : Advance Estimates.

.. : Not available separately.

Note : 1. Figures in parentheses denote percentage shares in real GDP.

2. Q1: First Quarter (April-June); Q2: Second Quarter (July-September); and, Q3: Third Quarter (October-December).

Source : Central Statistical Organisation.

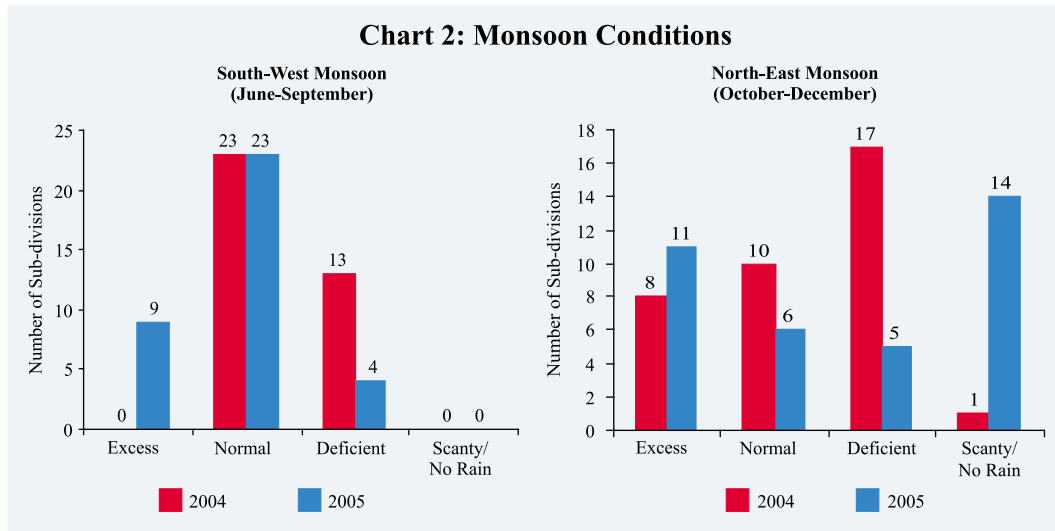


'construction' sub-sectors exhibited double-digit growth rates for the third consecutive year. Growth of real GDP originating from 'agriculture and allied activities' is expected to register a modest pick-up, following satisfactory spatial distribution of South-West monsoon and higher *kharif* production.

Agricultural Situation

Agricultural production during 2005-06 is expected to improve due to satisfactory rainfall and moisture conditions during the year. According to the India Meteorological Department, the cumulative rainfall during the South-West monsoon 2005 was one per cent below normal (*i.e.*, Long Period Average) as compared with 13 per cent below normal during the previous year. Although the rainfall was initially weak, it picked up from the last week of June 2005, offsetting the deficiency registered during the early part of the season. Of the 36 meteorological sub-divisions, cumulative rainfall was excess/normal in 32 sub-divisions (23 sub-divisions during last year). The progress of the North-East monsoon (October 1 to December 31) was also satisfactory with the cumulative rainfall at 10 per cent above normal as compared with 11 per cent below normal during the previous year. Of the 36 meteorological sub-divisions, cumulative rainfall was excess/normal in 17 sub-divisions (18 sub-divisions during last year) and deficient/scanty/no rain in 19 sub-divisions (18 sub-divisions during last year) (Chart 2). The total reservoir capacity as on April 7, 2006 in the 76 major reservoirs¹ monitored by the Central Water Commission at 45.3 billion cubic meters (BCM) was 34 per cent of the full reservoir level (FRL) and 147 per cent of the last year's level.

¹ These reservoirs account for 63 per cent of the total reservoir capacity of the country.



The satisfactory progress of monsoon during 2005-06 facilitated some improvement in area coverage under crops. While the area under *kharif* crops was 1.2 per cent higher than a year ago, that under *rabi* crops was 4.1 per cent higher (Table 2).

Table 2: Progress of Area under Crops - 2005-06

		(Million Hectares)								
Crop	Normal Area	Area Coverage			Variation (2005 over 2004) (Per cent)	Crop	Normal Area	Area Coverage		
		2004	2005					2004	2005	Variation (2005 over 2004) (Per cent)
1	2	3	4	5	1	2	3	4	5	
Kharif Crops					Rabi Crops (As on March 27, 2006)					
Rice	39.9	35.5	37.1	4.6	Wheat	26.3	26.5	26.7	0.8	
Coarse Cereals	22.9	22.5	21.9	-2.5	Rice	3.8	4.0	4.9	23.1	
<i>of which:</i>					Coarse Cereals	6.5	7.0	6.9	2.3	
Bajra	9.3	9.1	8.2	-9.4	<i>of which:</i>					
Jowar	4.6	3.9	3.8	-3.3	Jowar	5.1	5.1	5.1	-1.1	
Maize	6.0	7.0	7.3	5.2	Maize	0.7	0.7	0.7	-1.7	
Pulses	10.6	11.2	11.4	1.4	Barley	0.7	0.7	0.8	18.1	
Oilseeds	15.1	18.0	17.6	-2.6	Oilseeds	7.8	10.8	11.4	4.0	
<i>of which:</i>					<i>of which:</i>					
Groundnut	5.5	5.8	5.6	-3.1	Rapeseed and Mustard	5.1	7.1	7.3	2.8	
Soyabean	6.3	8.0	7.7	-3.1	Groundnut	0.8	1.0	1.2	18.2	
Sesamum	1.6	2.0	1.9	-6.4	Sunflower	1.0	1.3	1.4	5.4	
Niger	0.5	0.5	0.4	-15.8	Sesamum	1.6	0.3	0.3	-4.4	
Cotton	8.3	8.6	8.6	0.0	Linseed	0.5	0.6	0.6	0.0	
Sugarcane	4.3	3.8	4.1	10.3	All Crops	55.5	61.1	63.6	4.1	
All Crops	101.9	100.4	101.6	1.2						

Source : Ministry of Agriculture, Government of India.

Table 3: Agricultural Production						
(Million Tonnes)						
Crop	2003-04		2004-05		2005-06	
	T	A	T	A \$	T	A \$\$
1	2	3	4	5	6	7
Rice	87.0	88.3	93.5	85.3	87.8	87.9
Wheat	72.1	72.1	79.5	72.0	75.5	73.1
Coarse Cereals	37.8	38.1	36.8	33.9	36.5	34.0
Pulses	15.2	14.9	15.3	13.4	15.2	14.4
<i>Kharif</i>	112.0	116.9	113.8	103.3	109.9	108.2
<i>Rabi</i>	100.0	96.6	111.3	101.3	105.1	101.2
Total Foodgrains	212.1	213.5	225.1	204.6	215.0	209.3
Oilseeds						
<i>Kharif</i>	17.0	16.8	16.3	14.9	16.2	16.0
<i>Rabi</i>	8.1	8.5	9.9	11.2	10.4	10.4
Total Oilseeds	25.1	25.3	26.2	26.1	26.6	26.4
Sugarcane	236.2	237.3	270.0	232.3	237.5	266.9
Cotton #	13.8	13.9	15.0	17.0	16.5	16.5
Jute and Mesta ##	11.2	11.2	11.8	10.5	11.3	10.7
T : Target A : Achievement. \$: Fourth Advance Estimate. \$\$: Second Advance Estimate. # : Million bales of 170 kgs each. ## : Million bales of 180 kgs each. Source : Ministry of Agriculture, Government of India.						

Total foodgrains production during 2005-06 is estimated at 209 million tonnes, an increase of 2.3 per cent over the previous year led by higher output of rice, wheat, maize and pulses. Among non-foodgrains crops, the production of sugarcane, oilseeds and jute is expected to increase, whereas that of cotton and mesta is likely to be lower than the previous year (Table 3).

Food Management

Total procurement of rice and wheat during 2005-06 (up to March 27, 2006) aggregated 41.1 million tonnes, marginally higher (0.9 per cent) than the previous year. The off-take of rice and wheat during 2005-06 (April 1 to January 31, 2006) was 33.0 million tonnes, which was 1.1 per cent lower than a year ago (33.3 million tonnes). The total stock of foodgrains with the Food Corporation of India (FCI) and the State agencies was 19.5 million tonnes as on February 1, 2006, 9.5 per cent lower than a year ago. The decline was mainly on account of wheat stocks, which fell to 4.9 million tonnes from 7.3 million tonnes a year ago. The stock of foodgrains as on February 1, 2006 was lower than the buffer norm of 20 million tonnes. While the stock of rice was higher than the norm (11.8 million tonnes), the stock of wheat was 3.3 million tonnes less than the norm (8.2 million tonnes) (Table 4).

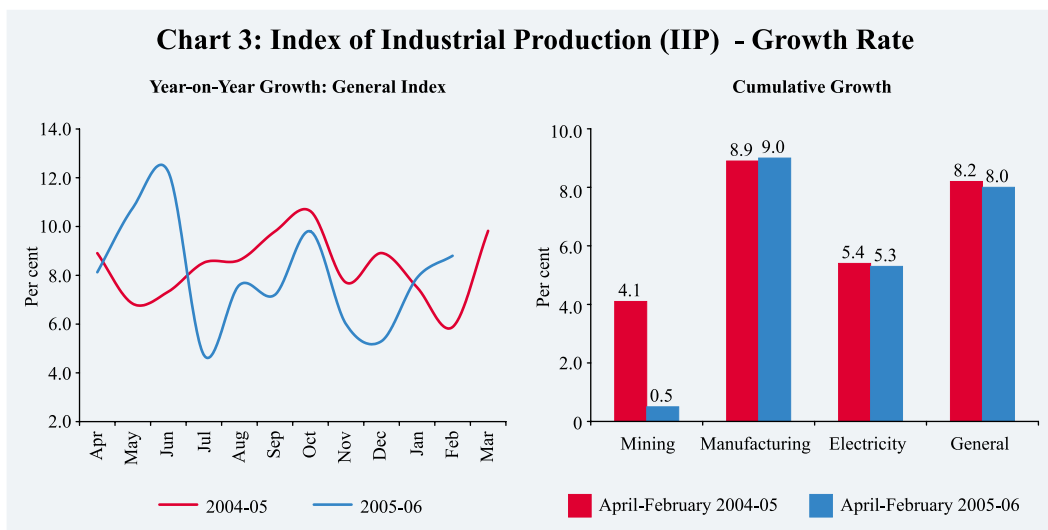
Table 4: Management of Food Stocks

(Million Tonnes)													
Month	Opening Stock of Foodgrains			Procurement of Foodgrains			Foodgrains Off-take				Closing Stock	Norms	
	Rice	Wheat	Total	Rice	Wheat	Total	PDS	OWS	OMS - Domestic	Exports			Total
1	2	3	4	5	6	7	8	9	10	11	12	13	14
2004													
January	11.7	12.7	25.0	3.5	0.0	3.5	2.4	0.9	0.2	0.4	3.8	24.0	16.8
February	12.4	11.0	24.0	2.2	0.0	2.2	1.9	1.1	0.1	0.5	3.7	22.8	
March	13.6	8.6	22.8	2.1	0.0	2.1	2.5	1.2	0.1	0.4	4.2	20.6	
April	13.1	6.9	20.6	1.2	14.5	15.7	2.0	0.5	0.0	0.3	2.9	32.4	15.8
May	12.7	19.0	32.4	1.3	1.7	3.0	2.3	0.6	0.0	0.1	3.0	32.3	
June	12.3	19.4	32.3	0.9	0.5	1.4	2.3	1.0	0.0	0.1	3.5	30.6	
July	10.8	19.2	30.6	0.4	0.1	0.5	2.4	1.0	0.0	0.1	3.6	27.2	24.3
August	9.1	17.4	27.2	0.5	0.0	0.2	2.4	1.0	0.0	0.1	3.4	23.0	
September	7.1	15.8	23.0	0.2	0.0	0.2	2.5	1.0	0.0	0.1	3.7	20.3	
October	6.1	14.2	20.3	7.4	0.0	6.5	2.4	0.8	0.0	0.0	3.2	23.7	18.1
November	11.0	12.6	23.7	1.9	0.0	2.7	2.4	0.6	0.0	0.0	3.1	21.8	
December	11.1	10.7	21.8	3.2	0.0	2.6	2.6	0.7	0.0	0.0	3.4	21.7	
2005													
January	12.8	8.9	21.7	3.9	0.0	3.9	2.7	0.8	0.0	0.0	3.5	21.5	16.8
February	14.2	7.3	21.5	2.3	0.0	2.3	2.7	0.9	0.0	0.0	3.7	20.0	
March	13.7	5.8	20.0	1.7	0.0	1.7	2.7	1.7	0.0	0.0	4.4	18.0	
April	13.3	4.1	18.0	1.2	12.8	14.0	2.4	1.0	0.0	0.0	3.4	28.5	16.2
May	13.0	15.1	28.5	1.2	2.0	3.1	2.5	0.8	0.0	0.0	3.3	27.9	
June	11.6	15.7	27.9	0.8	0.1	0.9	2.5	1.7	0.0	0.0	4.2	25.1	
July	10.1	14.5	25.1	0.4	0.0	0.4	2.8	0.8	0.1	0.0	3.6	21.4	26.9
August	8.0	13.0	21.4	0.9	0.0	0.9	2.6	0.8	0.1	0.0	3.4	18.4	
September	6.4	11.6	18.4	0.4	0.0	0.4	2.7	0.7	0.1	0.0	3.5	15.5	
October	4.8	10.3	15.5	7.6	0.0	7.6	2.2	0.5	0.0	0.0	2.7	19.8	16.2
November	10.3	9.1	19.8	2.7	0.0	2.7	1.8	0.5	0.1	0.0	2.4	19.0	
December	11.1	7.6	19.0	3.4	0.0	3.4	2.3	0.7	0.2	0.0	3.2	19.3	
2006													
January	12.6	6.2	19.3	3.8	0.0	3.8	2.3	0.8	0.1	0.0	3.2	19.5	20.0
February	14.0	4.9	19.5	2.5	0.0	2.5	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	
March*	N.A.	N.A.	N.A.	1.5	0.0	1.5	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	

PDS : Public Distribution System. OWS : Other Welfare Schemes. OMS : Open Market Sales.
N.A. : Not Available.
* : Procurement up to March 27, 2006.
Notes : Closing stock figures may differ from those arrived at by adding the opening stocks and procurement and deducting off-take, as stocks include coarse grains also.
Source : Ministry of Consumer Affairs, Food and Public Distribution, Government of India.

Industrial Performance

Industrial production registered strong growth during April-February 2005-06 on the back of robust and broad-based manufacturing activity (Chart 3). The manufacturing sector recorded a growth of 9.0 per cent in 2005-06 (April-



February) on top of 8.9 per cent rise a year ago. It accounted for 93.4 per cent of the overall industrial sector growth. The mining sector witnessed a sharp deceleration in growth, largely attributable to the decline in production of crude oil on account of break-out of fire in the Mumbai-High oil field in July 2005 as well as subdued mining activity in respect of some metallic minerals. The electricity sector recorded a marginal deceleration, reflecting shortage of coal and gas.

In terms of the use-based classification, capital and consumer goods sectors maintained their high growth momentum during April-February 2005-06 (Chart 4). In consonance with the pick-up in investment activity in the economy,

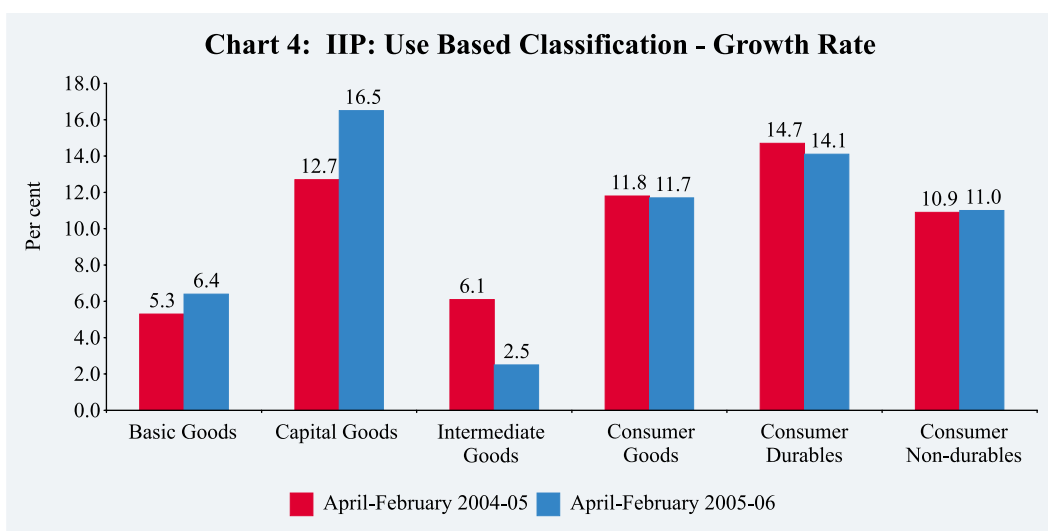


Table 5: Performance of Manufacturing Industry Groups: 2005-06 (April-February)

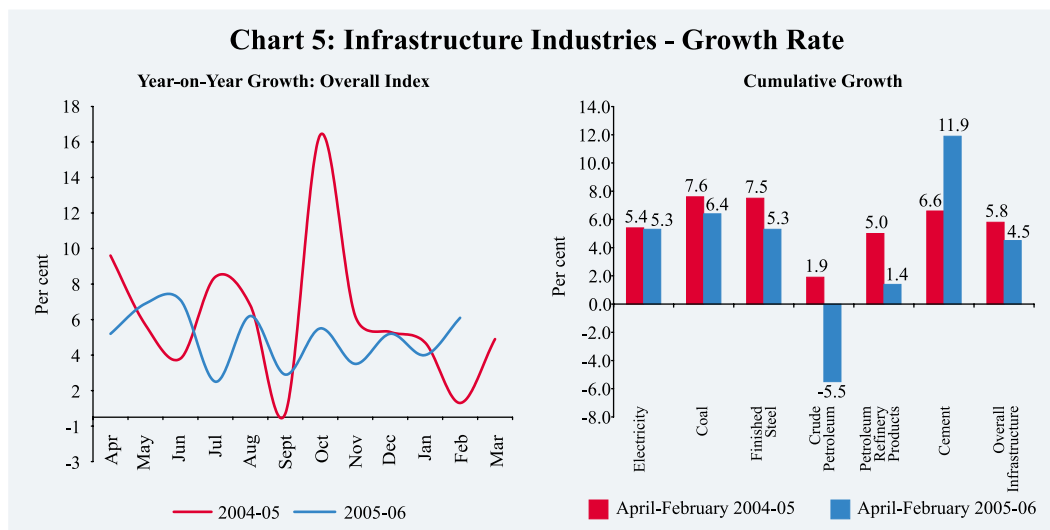
Acceleration in Growth	Deceleration in Growth	Negative Growth
1. Other manufacturing industries (24.3)	1. Machinery and equipment other than transport equipment (11.7)	1. Metal products and parts (except machinery and equipment) (-1.3)
2. Textiles products (including apparels) (18.8)	2. Chemicals and chemical products (8.5)	2. Leather and leather and fur products (-5.0)
3. Beverages, tobacco and related products (14.8)	3. Jute and other vegetable fibre (1.0)	3. Wood and wood products, furniture and fixtures (-5.6)
4. Basic metal and alloy industries (14.7)	4. Paper and paper products and printing, publishing and allied activities (0.6)	
5. Transport equipment and parts (12.6)	5. Wool, silk and man-made fibre textiles (0.5)	
6. Non-metallic mineral products (10.2)		
7. Cotton textiles (9.4)		
8. Rubber, plastic, petroleum and coal products (4.3)		
9. Food products (0.7)		

growth of the capital goods sector accelerated to 16.5 per cent – the highest growth for April-February period since 1993-94. Higher production of power distribution transformers, turbines, textile machinery, boilers, material handling equipment, ship building and repair, locomotives, cranes, lifts and laboratory and scientific instruments propelled the growth of the capital goods sector. Basic goods recorded a marginal pick-up, benefiting from higher production of carbon steel, structurals, ferro silicon and copper metal. The intermediate goods sector witnessed a subdued performance largely on account of negative growth of items such as yarn, finished leather, light diesel oil, LPG cylinders, tin metal containers, spun pipes and T.V. picture tubes.

At the two-digit level manufacturing groups, 14 out of 17 groups recorded a positive growth during April-February 2005-06 (Table 5). ‘Other manufacturing’ industries recorded the highest growth at 24.3 per cent followed by textile products (including wearing apparel) at 18.8 per cent.

Infrastructure

The infrastructure sector continued to record sluggish growth during 2005-06. The growth of the core infrastructure industries – with a weight of 26.7 per cent in the index of industrial production – decelerated from 5.8 per cent during April-February 2004-05 to 4.5 per cent during April-February 2005-06 (Chart 5). The slowdown was mainly a reflection of decline in the production



of crude petroleum and deceleration in growth in finished steel and petroleum refinery products. As noted earlier, decline in crude petroleum largely reflected the effects of fire at Mumbai-High oil field while deceleration in electricity could be attributed to shortage of coal and gas. Slowdown in steel sector could be attributed to decline in production of bars and rods, cold-rolled sheets and coils coupled with deceleration in steel exports. Cement production recorded strong growth, reflecting growing demand from the housing and the infrastructure sectors as well as higher exports – cement exports rose by 41.8 per cent during April-December 2005.

Business Expectations Surveys

Business expectations surveys conducted by various agencies suggest that the industrial sector is likely to continue its strong performance in the near term. Dun and Bradstreet's composite business optimism index for the quarter January-March 2006 improved by 21.1 per cent over the same quarter of the previous year. The index, however, declined by 10.3 per cent over the previous quarter (October-December 2005) reflecting the base effect – the index was at an all time high in October-December 2005. According to the survey conducted in December 2005, business expectations remain high with around 90 per cent of the respondents expecting an increase in sales in the forthcoming quarter. Almost 85 per cent of the respondents anticipated higher profits and 46 per cent respondents were of the opinion that there would be an increase in their selling prices. According to FICCI's latest Business Confidence Survey conducted during February 2006, the confidence level of the Indian corporate sector improved, with the Business Confidence Index recording its highest value in the last 15 quarters.

Table 6: Business Expectations Surveys

Agency	Business Expectations		Growth over previous round (Per cent)
	Expectation for	Index	
1	2	3	4
Dun & Bradstreet	January-March 2006	Business Optimism Index	-10.3
CII	September 2005-March 2006	Business Confidence Index	1.5
FICCI	April-September 2006	Business Confidence Index	1.9
NCAER	January-June 2006	Business Confidence Index	3.7
RBI	April-June 2006	Business Expectations Index	-4.1

Results show an improvement in the respondents' assessment of the current overall economic conditions as well as their perception of the country's economic performance in the next six months. Amongst the three industry sectors – services, heavy industry and light industry – the services sector is the most optimistic with 90 per cent of the participating companies looking forward to a 'moderately to substantially' better performance of their sector in the coming two quarters followed by the light industry (78 per cent of the respondents) and the heavy industry (68 per cent of the respondents). Although the respondents anticipate some moderation in their sales, profits and exports, there are signs of a further pick-up in investments in the next six months. Nearly 71 per cent of the companies reported capacity utilisation in excess of 75 per cent (Table 6).

According to the Reserve Bank's latest Industrial Outlook Survey conducted during January-February 2006, the Business Expectations Index, based on expectations for April-June 2006 quarter, declined by 4.1 per cent over the previous quarter (Chart 6). The index was, however, almost the same as a year

Chart 6: Reserve Bank's Industrial Outlook Survey: Business Expectations Index

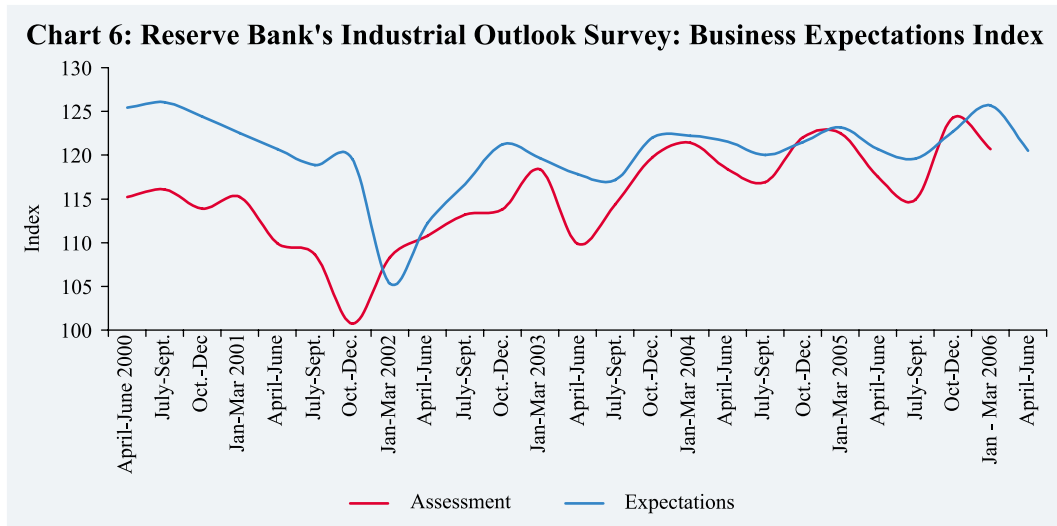


Table 7: Net Response on 'A Quarter Ahead' Expectations about Industrial Performance Over the Latest Five Quarterly Rounds of the Reserve Bank's Industrial Outlook Survey

		(Per cent)				
Parameter	Response	April-June 2005 (987)	July-Sept. 2005 (816)	Oct-Dec. 2005 (961)	Jan-March 2006 (934)	April-June 2006 (1086)
1	2	3	4	5	6	7
1. Overall business situation	Better	44.3	45.5	51.3	49.8	46.3
2. Financial situation	Better	36.7	36.7	42.3	40.7	40.4
3. Working capital finance requirement	Increase	27.2	28.8	32.7	31.9	30.6
4. Availability of finance	Improve	30.8	30.7	34.1	34.1	33.8
5. Production	Increase	38.7	40.7	46.9	46.3	42.5
6. Order books	Increase	37.4	39.6	43.7	41.0	39.1
7. Pending orders, if applicable	Below normal	-	-	0.8*	-1.4	-0.1
8. Cost of raw material	Decrease	-36.7	-43.6	-30.0	-35.9	-37.3
9. Inventory of raw material	Below average	-4.3	-4.2	-6.9	-6.8	-5.0
10. Inventory of finished goods	Below average	-3.1	-4.2	-3.3	-4.7	-4.5
11. Capacity utilisation	Increase	27.7	25.4	31.1	29.6	24.8
12. Level of capacity utilisation	Above normal	8.1	7.6	10.9	11.4	9.4
13. Assessment of the production capacity	More than adequate	5.7	5.3	5.0	4.9	4.1
14. Employment in the company	Increase	7.7	7.8	12.7	13.3	14.5
15. Exports, if applicable	Increase	30.2	32.5	33.3	31.8	31.0
16. Imports, if any	Increase	20.3	23.7	19.2	20.8	22.7
17. Selling prices are expected to	Increase	11.0	13.3	7.8	10.8	12.4
18. If increase expected in selling prices	Increase at lower rate	13.5	14.0	16.6	16.3	12.0
19. Profit margin	Increase	6.3	7.1	9.6	12.6	9.3

* : Question on Pending Orders was included in the July-September 2005 round.

Note : 1. Figures in parentheses represent number of companies covered in the report.

2. 'Net response' is measured as the per cent share differential between the companies reporting 'optimistic' (positive) and 'pessimistic' (negative) responses; responses indicating *status quo* (no change) are not reckoned. Higher 'net response' indicates higher level of confidence and *vice versa*.

ago. The expectations index based on the assessment for January-March 2006 also declined by 2.8 per cent over the previous quarter after showing a rise of 8.2 per cent during October-December 2005, the highest since the inception of the survey. Survey results indicate that the expectations of various indicators in April-June 2006 are better than that in the corresponding quarter of 2005 although lower than that in the immediately preceding quarter (Table 7).

Services Sector

Growth in the services sector accelerated to 9.9 per cent during April-December 2005 from 9.7 per cent during April-December 2004, benefiting from robust growth in the major sub-sectors *viz.*, 'trade, hotels, transport and communication', 'financing, insurance, real estate and business services' and 'construction'. The 'trade, hotels, transport and communication' sector recorded double-digit growth, benefiting from expansion in exports and imports,

Table 8: Indicators of Service Sector Activity

(Growth rates in per cent)		
Sub-sector	April-January 2004-05	April-January 2005-06
1	2	3
Tourist arrivals (April-February)	23.7	11.7
Commercial vehicles production (April-December)	32.3	9.7
Railway revenue earning freight traffic	7.8	10.4
New cell phone connections	17.1	68.0
Cargo handled at major ports	10.8	11.7
Civil aviation		
a) Export cargo handled	12.4	7.3
b) Import cargo handled	28.6	13.5
c) Passengers handled at international terminals	15.6	12.8
d) Passengers handled at domestic terminals	25.3	22.9
Roads: Upgradation of Highways	19.0	-20.9
Cement (April-February)	6.6	11.9
Steel (April-February)	7.5	5.3
Aggregate deposits (end-March, year-on-year)	14.8	16.9
Non-food credit (end-March, year-on-year)	28.8	30.8
Central Government expenditure (April-February)	5.6	1.7

improvement in performance indicators of railways, cargo handled at major ports as well as by civil aviation, passengers handled by civil aviation, rise in domestic and international tourism and robust growth in the cellular subscriber base (Table 8). Healthy growth in bank deposits, sustained acceleration in non-food credit and increased exports of information technology enabled services buoyed up the sub-sector 'financing, insurance, real estate and business services'. Indian software and services continued to perform well.

Savings and Investment

Gross Domestic Saving (GDS), as per cent of GDP at current market prices, increased from 28.9 per cent in 2003-04 to 29.1 per cent in 2004-05, led by higher public sector saving resulting from lower dis-saving of public authorities and improvement in savings of non-departmental enterprises. Private corporate saving also improved reflecting higher profits. On the other hand, savings of the household sector declined by 1.5 percentage points during 2004-05 to 22.0 per cent. Although the overall savings rate increased by 0.2 percentage points of GDP, the overall investment rate increased by 2.9 percentage points of GDP to 30.1 per cent in 2004-05 reflecting a recourse to higher foreign savings – net capital inflows of 1.0 per cent of GDP in 2004-05 in contrast to net outflows of 1.6 per cent of GDP during 2003-04 (Table 9).

The buoyancy in manufacturing and services sector activities and the positive business confidence and expectations suggest that the recent growth

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Table 9: Gross Domestic Saving and Investment

(Per cent of GDP at current market prices)						
	1999-00	2000-01	2001-02	2002-03	2003-04 (PE)	2004-05 (QE)
1	2	3	4	5	6	7
1. Household Saving	21.3	21.2	22.0	23.1	23.5	22.0
<i>of which :</i>						
a) Financial Assets	10.5	10.2	10.8	10.3	11.5	10.3
b) Physical Assets	10.7	11.0	11.2	12.7	12.0	11.7
2. Private Corporate Saving	4.5	4.1	3.6	4.1	4.4	4.8
3. Public Sector Saving	-0.9	-1.8	-2.0	-0.7	1.0	2.2
4. Gross Domestic Saving	24.9	23.5	23.6	26.5	28.9	29.1
5. Net Capital Inflow	1.1	0.6	-0.6	-1.2	-1.6	1.0
6. Gross Domestic Capital Formation	26.0	24.2	23.0	25.3	27.2	30.1
7. Gross Capital Formation	26.1	24.3	24.3	25.3	26.3	28.5
<i>of which :</i>						
a) Public Sector	7.5	6.9	6.9	6.2	6.5	7.2
b) Private Corporate Sector	7.2	5.7	5.6	5.8	6.8	8.2
c) Household sector	10.7	11.0	11.2	12.7	12.0	11.7
d) Valuables+	0.8	0.7	0.6	0.6	0.9	1.3
8. Total Consumption Expenditure (a+b)	77.5	76.6	76.7	74.7	73.5	71.8
a) Private Final Consumption Expenditure	64.6	64.1	64.5	62.9	62.4	60.6
b) Government Final Consumption Expenditure	12.9	12.5	12.3	11.8	11.2	11.3
<i>Memo:</i>						
9. Saving-Investment Balance (4-6)	-1.1	-0.6	0.6	1.2	1.6	-1.0
10. Public Sector Balance#	-8.3	-8.7	-8.9	-6.8	-5.5	-5.0
11. Private Sector Balance#	7.8	8.6	8.8	8.6	9.0	6.9
a) Private Corporate Sector	-2.7	-1.6	-2.0	-1.7	-2.5	-3.4
b) Household Sector	10.5	10.2	10.8	10.3	11.5	10.3

PE : Provisional Estimates. QE : Quick Estimates.

+ : 'Valuables' covers the expenditures made on acquisition of valuables, excluding works of art and antiques.

: Investment figures are not adjusted for errors and omissions.

Source : Central Statistical Organisation.

momentum in the Indian economy is likely to be maintained in 2006-07, as has also been projected by different agencies (Table 10).

Table 10: Projections of Real Gross Domestic Product for India by Various Agencies: 2006-07

Agency	Growth Projections for 2006-07 (Per cent)				Month of Projections
	Overall Growth	Agriculture	Industry	Services	
1	2	3	4	5	6
ADB	7.6	-	-	-	April 2006
CDE-DSE	7.7	2.8	9.4	8.9	January 2006
CMIE	8.0	-	-	-	March 2006
ESCAP	7.9	-	-	-	March 2006
ICRA	7.4-8.2	2.0	8.2-9.7	9.1-9.7	January 2006
IMF	6.8	-	-	-	February 2006
Planning Commission*	7.7	3.2	8.9	8.8	December 2005

- : Not Available. * : Base year 2001-02, Mid-Term Appraisal of Tenth Five-Year Plan.

ADB : Asian Development Bank; CDE-DSE: Centre for Development Economics - Delhi School of Economics;

CMIE : Centre for Monitoring Indian Economy; ESCAP : Economic and Social Commission for Asia and the Pacific;

ICRA : Investment Information and Credit Rating Agency of India; and, IMF: International Monetary Fund.