

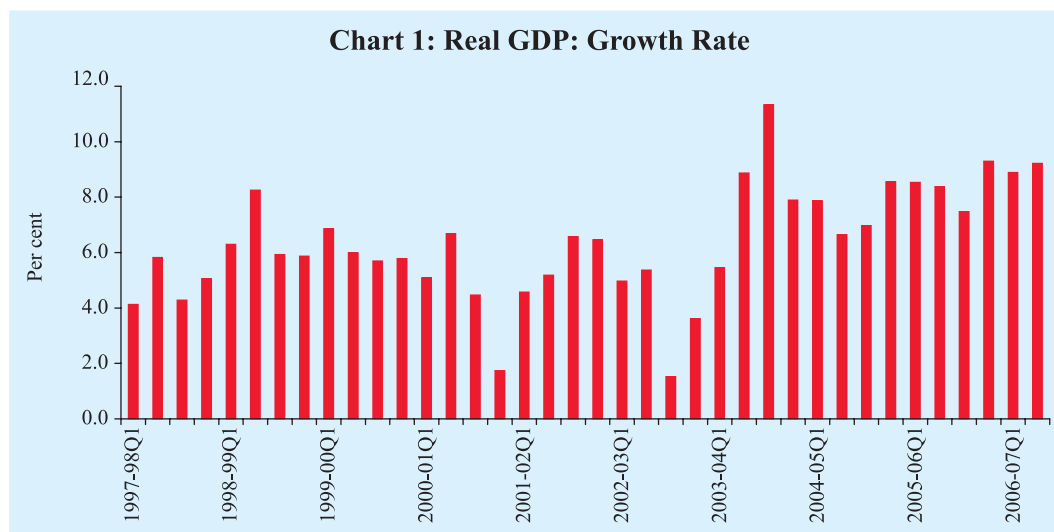
I. THE REAL ECONOMY

The robust performance of the Indian economy continued during the second quarter (July–September) of 2006-07. According to the Central Statistical Organisation (CSO), real gross domestic product (GDP) growth accelerated to 9.2 per cent in the second quarter from 8.9 per cent in the preceding quarter and 8.4 per cent a year ago. Strong growth in industrial activity and the services sub-sector ‘trade, hotels, restaurants, transport, storage and communication’ contributed to higher overall growth in the second quarter of 2006-07 (Table 1 and Chart 1). With both the first and second quarters of 2006-07 recording higher growth over the corresponding quarters of 2005-06, real GDP growth accelerated to 9.1 per cent in the first half of 2006-07 from 8.5 per cent a year ago.

Table 1: Growth Rates of Real GDP

(Per cent)												
Sector	2000-01 to 2005-06 (Average)	2004- 05*	2005- 06#	2005-06				2006-07		2005-06		2006-07
				Q1	Q2	Q3	Q4	Q1	Q2	(April-September)		
1	2	3	4	5	6	7	8	9	10	11	12	
1. Agriculture and Allied Activities	2.3 (22.2)	0.7 (20.8)	3.9 (19.9)	3.4	4.0	2.9	5.5	3.4	1.7	3.7	2.6	
1.1 Agriculture	2.0	0.7	N.A.									
2. Industry	6.2 (19.6)	7.4 (19.5)	7.6 (19.3)	9.5	6.3	7.0	7.9	9.7	10.5	7.9	10.1	
2.1 Mining and Quarrying	4.2	5.8	0.9	3.1	-2.6	0.0	3.0	3.4	3.1	0.3	3.2	
2.2 Manufacturing	6.9	8.1	9.0	10.7	8.1	8.3	8.9	11.3	11.9	9.4	11.6	
2.3 Electricity, Gas and Water Supply	3.8	4.3	5.3	7.4	2.6	5.0	6.1	5.4	7.7	5.0	6.5	
3. Services	8.1 (58.2)	10.2 (59.7)	10.3 (60.7)	10.1	10.3	9.7	11.0	10.5	10.7	10.2	10.6	
3.1 Trade, Hotels, Restaurants, Transport, Storage and Communication	9.9	10.6	11.5	11.7	11.0	10.2	12.9	13.2	13.9	11.4	13.5	
3.2 Financing, Insurance, Real Estate and Business Services	7.1	9.2	9.7	8.8	10.5	8.9	10.5	8.9	9.5	9.6	9.2	
3.3 Community, Social and Personal Services	5.8	9.2	7.8	7.3	8.0	8.4	7.6	7.4	6.9	7.7	7.2	
3.4 Construction	8.9	12.5	12.1	12.4	12.3	11.5	12.0	9.5	9.8	12.4	9.7	
4. Real GDP at Factor Cost	6.4 (100)	7.5 (100)	8.4 (100)	8.5	8.4	7.5	9.3	8.9	9.2	8.5	9.1	

*: Quick Estimates. #: Revised Estimates. N.A.: Not available.
Note : 1. Figures in parentheses denote percentage shares in real GDP
2. Q1: First Quarter (April-June); Q2: Second Quarter (July-September); Q3: Third Quarter (October-December); and Q4: Fourth Quarter (January-March).
Source : Central Statistical Organisation.



Agricultural Situation

The rainfall during the 2006 South-West monsoon season (June 1 to September 30) turned out to be close to normal, although the distribution of rainfall was uneven. The initial phase of deficiency of rainfall witnessed from the beginning of second week of June and up to July 2006 and again in mid-September was offset by excess rainfall during the first three weeks of August, especially over Central India. Furthermore, it led to improvement in reservoir position at the end of the South-West monsoon season with total live water storage at 91 per cent of the Full Reservoir Level (FRL), which was higher than the last year's position (81 per cent) and the last ten year's average (71 per cent). Cumulative rainfall during the North-East monsoon (October 1, 2006 to December 31, 2006) was, however, 21 per cent below normal as compared with 10 per cent above normal during the corresponding period of the previous year. Of the 36 meteorological sub-divisions, cumulative rainfall was deficient/ scanty/ no rain in 27 sub-divisions (19 sub-divisions during last year) (Table 2). As on January 4, 2007, the total live water storage was 66 per cent (same as last year) of the FRL.

In view of uneven rainfall during the South-West monsoon season, the area coverage under *kharif* crops in 2006 season was around 1.9 per cent lower than a year ago, mainly on account of shortfall in the case of rice, coarse cereals and oilseeds. In contrast, area sown under *rabi* crops so far (up to January 5, 2007) has been about 3.4 per cent higher than a year ago. The higher sowing under *rabi* crops was mainly on account of increase in area covered under wheat, pulses and coarse cereals, which more than offset some decline in area under oilseeds (Table 3).

Table 2: Spatial Distribution of Rainfall

Year	Cumulative Rainfall: Above (+)/ Below (-) Normal (per cent)	Excess Rainfall	Normal Rainfall	Deficient Rainfall	Scanty/ No Rain	Year	Cumulative Rainfall: Above (+)/ Below (-) Normal (per cent)	Excess Rainfall	Normal Rainfall	Deficient Rainfall	Scanty/ No Rain
Number of Sub-Divisions						Number of Sub-Divisions					
1	2	3	4	5	6	1	2	3	4	5	6
South-West Monsoon (June-September)						North-East Monsoon (October-December)					
1998	6	12	21	3	0	1998	47	28	6	1	1
1999	-4	3	26	7	0	1999	19	20	7	6	3
2000	-8	5	23	8	0	2000	-47	0	4	13	19
2001	-8	1	30	5	0	2001	13	14	10	9	3
2002	-19	1	14	19	2	2002	-33	3	7	12	14
2003	2	7	26	3	0	2003	9	9	9	6	12
2004	-13	0	23	13	0	2004	-11	8	10	17	1
2005	-1	9	23	4	0	2005	10	11	6	5	14
2006	-1	6	20	10	0	2006	-21	3	6	14	13

Excess : +20 per cent or more. Normal : +19 per cent to -19 per cent. Deficient : -20 per cent to -59 per cent.
 Scanty : -60 per cent or less. No Rain : -100 per cent.
Source : India Meteorological Department.

According to the First Advance Estimates, the total *kharif* foodgrains production during 2006-07 at 105.2 million tonnes will be 4.1 per cent lower than the previous year, mainly on account of the likely shortfall in the production of rice (2.9 per cent) and coarse cereals (9.2 per cent). In the case of non-foodgrains, production of *kharif* oilseeds and cotton is likely to decline over the previous year, while that of sugarcane is expected to increase marginally (Table 4).

Table 3: Progress of Area under Crops - 2006-07

(Million hectares)									
Crop	Normal Area	Area Coverage			Crop	Normal Area	Area Coverage		
		2005	2006	Variation			2005	2006	Variation
1	2	3	4	5	1	2	3	4	5
Kharif Crops					Rabi Crops (up to January 5, 2007)				
Rice	38.2	37.4	37.2	-0.2	Rice	4.9	0.9	1.0	0.1
Coarse Cereals	22.9	22.8	21.1	-1.6	Wheat	26.1	25.8	27.6	1.8
<i>Of which:</i>					Coarse Cereals	6.4	6.3	6.7	0.4
Bajra	9.4	9.4	8.1	-1.3	<i>Of which:</i>				
Jowar	4.4	3.9	3.7	-0.2	Jowar	5.0	4.8	4.8	0.0
Maize	6.2	6.9	7.3	0.4	Maize	0.7	0.7	1.0	0.3
Total Pulses	10.9	11.4	11.5	0.1	Total Pulses	11.0	12.7	13.3	0.6
Total <i>Kharif</i> Oilseeds	15.4	17.7	16.9	-0.8	Total Rabi Oilseeds	8.2	10.2	9.3	-0.9
<i>Of which:</i>					<i>Of which:</i>				
Groundnut	5.5	5.6	4.8	-0.9	Rapeseed and				
Soyabean	6.6	7.8	8.1	0.3	Mustard	5.4	7.3	6.6	-0.6
Sesamum	1.5	1.9	1.8	-0.1	Groundnut	0.8	0.5	0.6	0.0
Sunflower	0.5	0.9	0.9	-0.1	Sunflower	1.1	1.2	1.1	-0.2
Sugarcane	4.2	4.3	4.4	0.2					
Cotton	8.3	8.5	8.9	0.4					
All Crops	99.8	101.9	100.0	-1.9	All Crops	56.5	55.9	57.8	1.9

Source : Ministry of Agriculture, Government of India.

Table 4: Agricultural Production

Crop	2002-03	2003-04	2004-05	2005-06 \$	(Million tonnes)	
					2006-07	
					T	A \$\$
1	2	3	4	5	6	7
Rice	71.8	88.5	83.1	91.0	92.8	
<i>Kharif</i>	63.1	78.6	72.2	78.0	80.8	75.7
<i>Rabi</i>	8.7	9.9	10.9	13.0	12.0	
Wheat	65.8	72.2	68.6	69.5	75.5	
Coarse Cereals	26.1	37.6	33.5	34.7	36.5	
<i>Kharif</i>	20.0	32.2	26.4	27.0	28.7	24.5
<i>Rabi</i>	6.1	5.4	7.1	7.7	7.8	
Pulses	11.1	14.9	13.1	13.1	15.2	
<i>Kharif</i>	4.2	6.2	4.7	4.7	5.8	5.0
<i>Rabi</i>	7.0	8.7	8.4	8.5	9.4	
Total Foodgrains	174.8	213.2	198.4	208.3	220.0	
<i>Kharif</i>	87.2	117.0	103.3	109.7	115.3	105.2
<i>Rabi</i>	87.6	96.2	95.1	98.6	104.8	
Total Oilseeds	14.8	25.2	24.4	27.7	29.4	
<i>Kharif</i>	9.0	16.7	14.1	16.8	18.1	13.2
<i>Rabi</i>	5.9	8.5	10.2	10.9	11.3	
Sugarcane	287.4	233.9	237.1	278.4	270.0	283.4
Cotton #	8.6	13.7	16.4	19.6	18.5	18.1
Jute and Mesta ##	11.3	11.2	10.3	10.7	11.3	10.9

T : Target A : Achievement.
 \$: Fourth Advance Estimates as on July 15, 2006.
 \$\$: First Advance Estimates as on September 15, 2006.
 # : Million bales of 170 kgs each.
 ## : Million bales of 180 kgs each.
Source : Ministry of Agriculture, Government of India.

Food Management

The procurement of foodgrains (rice and wheat) during 2006-07 (up to January 9, 2007) at 29.9 million tonnes (mt) was 13.4 per cent lower than that in the corresponding period of the preceding year on account of decline in procurement of wheat from 14.8 million tonnes to 9.2 million tonnes (Table 5). The offtake of rice and wheat during 2006-07 (April 1 to October 31, 2006) at 20.6 mt was also lower by 16.7 per cent over the corresponding period of the previous year, mainly due to a fall in the offtake under Other Welfare Schemes (OWS). In view of lower procurement, the total stock of foodgrains with the Food Corporation of India (FCI) and other Government agencies declined to 18.7 mt as on November 1, 2006 from 19.8 mt a year ago due to decline in the stocks of wheat to 6.0 mt from 9.1 mt. While the stocks of wheat were lower than the buffer stock norm (11.0 mt), those of rice exceeded the buffer norm (5.2 mt).

Industrial Performance

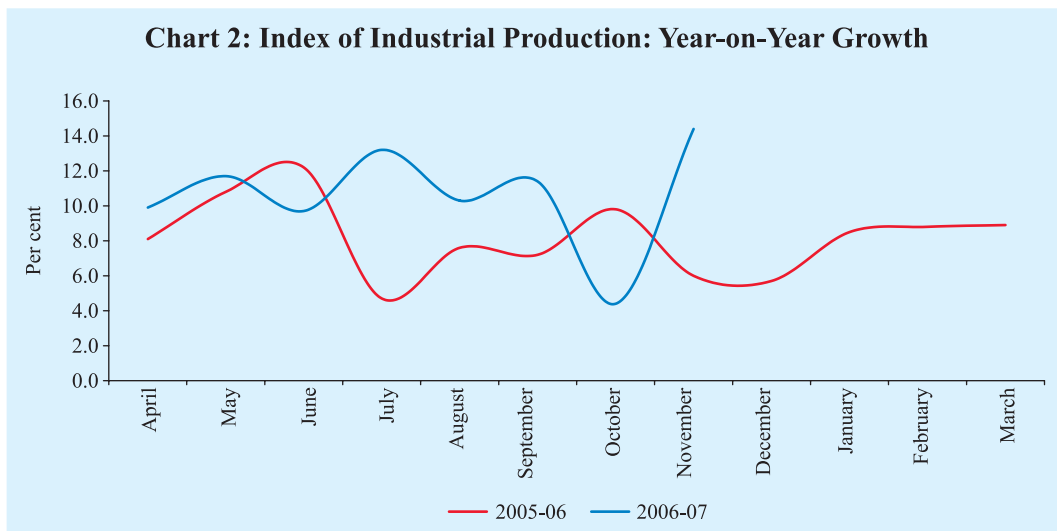
Industrial production has continued with its momentum during 2006-07, with growth accelerating to 10.6 per cent during April-November 2006 from 8.3

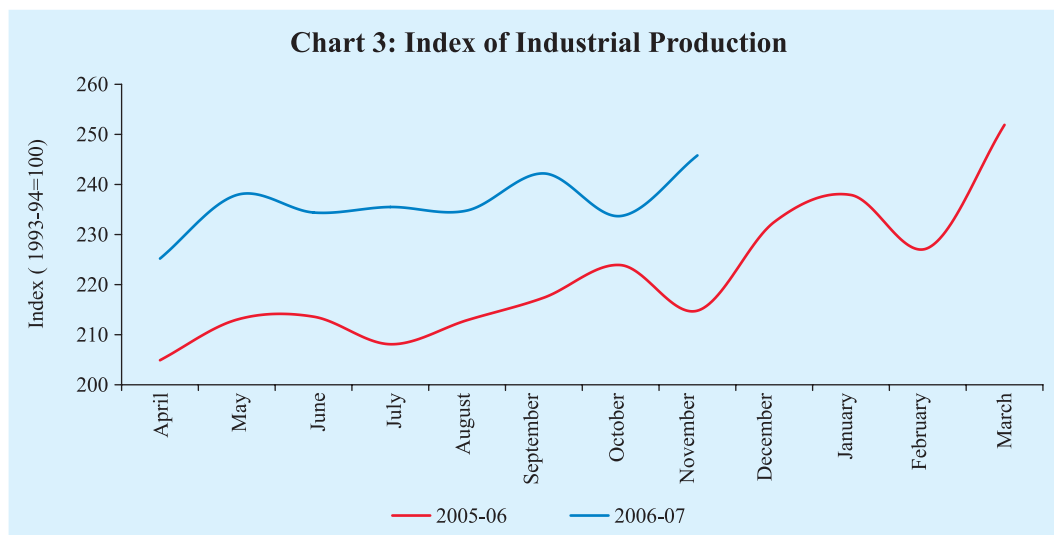
Table 5: Management of Food Stocks

(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
2004-05	13.1	6.9	20.7	24.2	16.8	41.0	29.7	10.6	0.2	1.0	41.5	18.0	
2005-06	13.3	4.1	18.0	26.6	14.8	41.4	31.4	9.8	1.0	0.0	42.2	16.6	
2005-06@				19.7	14.8	34.5	18.2	6.3	0.2	0.0	24.7	19.8	
2006-07@				20.6	9.2	29.9	17.5	3.1	0.0	0.0	20.6	18.7	
2005													
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	4.9	10.3	15.5	7.5	0.0	7.5	2.7	0.5	0.0	0.0	3.2	19.8	16.2
November	10.3	9.1	19.8	2.7	0.0	2.7	2.3	0.5	0.1	0.0	2.8	19.0	
December	11.1	7.6	19.0	2.9	0.0	2.9	2.7	0.7	0.2	0.0	3.6	19.3	
2006													
January	12.6	6.2	19.3	4.3	0.0	4.3	2.7	0.8	0.1	0.0	3.6	19.5	20.0
February	14.0	4.9	19.5	2.5	0.0	2.5	2.7	0.6	0.3	0.0	3.6	18.3	
March	14.1	3.4	18.3	1.9	0.0	1.9	2.8	0.9	0.2	0.0	3.9	16.6	
April	13.7	2.0	16.6	1.7	8.7	10.3	2.5	0.3	0.0	0.0	2.8	22.8	16.2
May	12.8	9.0	22.8	1.6	0.6	2.2	2.5	0.4	0.0	0.0	3.0	22.3	
June	12.0	9.3	22.3	1.5	0.0	1.5	2.5	0.6	0.0	0.0	3.1	20.5	
July	11.1	8.2	20.5	0.8	0.0	0.8	2.7	0.4	0.0	0.0	3.1	17.1	26.9
August	9.5	7.3	17.1	0.5	0.0	0.5	2.7	0.4	0.0	0.0	3.1	15.5	
September	7.8	6.7	15.5	0.2	0.0	0.2	2.3	0.5	0.0	0.0	2.8	12.6	
October	6.0	6.4	12.6	8.0	0.0	8.0	2.4	0.4	0.0	0.0	2.7	18.7	16.2
November	12.5	6.0	18.7	2.0	0.0	2.0	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	
December	N.A.	N.A.	N.A.	2.6	0.0	2.6	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	
2007													
January*	N.A.	N.A.	N.A.	1.9	0.0	1.9	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	20.0

PDS :Public Distribution System. OWS :Other Welfare Schemes. OMS : Open Market Sales. N.A. : Not Available.
 @ : Procurement up to January 9 and offtake up to end-October. * :Procurement up to January 9, 2007.
Note : Closing stock figures may differ from those arrived at by adding the opening stocks and procurement and deducting, offtake, as stocks include coarse grains also.
Source : Ministry of Consumer Affairs, Food and Public Distribution, Government of India.

per cent a year ago (Chart 2). Dip in industrial growth during October 2006 and the jump during November 2006 could be partly attributed to the base effect





(Chart 3). The manufacturing sector with double-digit growth (11.5 per cent) continued to be the key driver of industrial activity, contributing almost 91.2 per cent of the growth in industry (Table 6). Electricity and mining sectors also picked up during April-November 2006.

The sustained buoyancy in manufacturing activity was led by the sub-sectors such as machinery and equipments, transport equipments and parts, basic metal and alloy industries and non-metallic mineral products (Table 7). These four sub-sectors contributed more than a half of industrial growth during April-November 2006.

Table 6: Index of Industrial Production: Sectoral and Use-Based Classification of Industries

Industry Group	Weight in the IIP	(Per cent)					
		Growth Rate			Weighted Contribution #		
		April-March	April-November		April-March	April-November	
		2005-06	2005	2006 P	2005-06	2005	2006 P
1	2	3	4	5	6	7	8
Sectoral							
Mining	10.5	1.0	0.5	3.8	1.0	0.5	2.7
Manufacturing	79.4	9.1	9.4	11.5	93.3	93.8	91.2
Electricity	10.2	5.2	5.0	7.3	5.7	5.6	6.2
Use-Based							
Basic Goods	35.6	6.7	6.1	9.3	25.4	23.1	27.2
Capital Goods	9.3	15.7	16.2	16.1	20.8	19.4	16.2
Intermediate Goods	26.5	2.5	2.5	10.9	8.2	8.5	27.5
Consumer Goods (a+b)	28.7	12.0	13.3	9.7	47.4	49.2	29.4
a) Consumer Durables	5.4	15.3	14.2	12.5	14.6	13.9	10.1
b) Consumer Non-durables	23.3	10.9	12.9	8.7	32.8	35.2	19.3
General	100.0	8.2	8.3	10.6	100.0	100.0	100.0

P : Provisional. # : Figures may not add up to 100 due to rounding off.
Source : Central Statistical Organisation.

Table 7: Growth of Manufacturing Groups

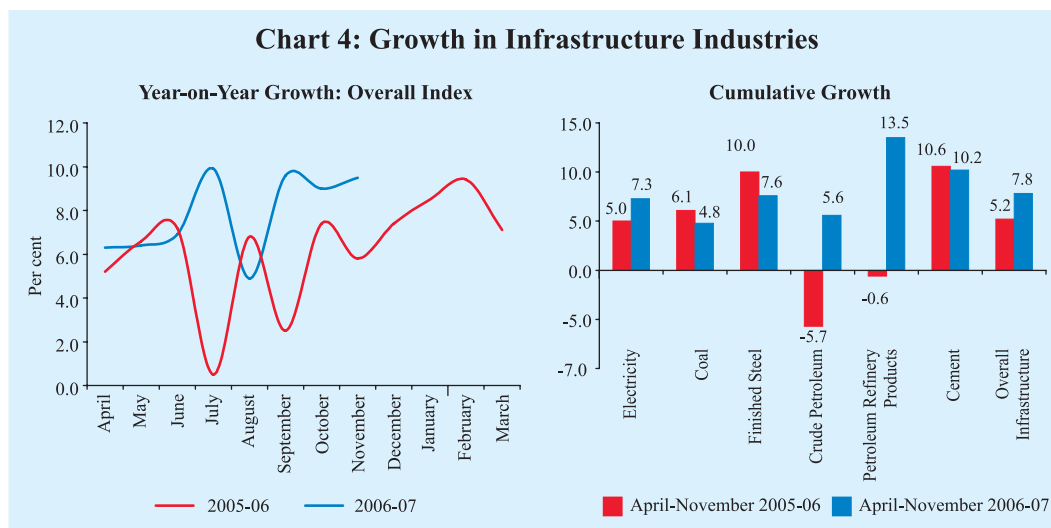
Industry Group	Weight in the IIP	Growth Rate		Weighted Contribution #	
		April-November		April-November	
		2005	2006 P	2005	2006 P
		1	2	3	4	5	6
1. Machinery and equipment other than transport equipment	9.6	10.8	14.1	18.0	19.3
2. Chemicals and chemical products except products of petroleum and coal	14.0	11.7	9.1	25.2	16.2
3. Basic metal and alloy industries	7.5	15.6	20.4	14.3	16.1
4. Transport equipment and parts	4.0	12.5	16.3	9.0	9.7
5. Non-metallic mineral products	4.4	8.3	13.7	5.7	7.6
6. Beverages, tobacco and related products	2.4	17.4	12.5	8.9	5.6
7. Rubber, plastic, petroleum and coal products	5.7	2.8	11.9	2.0	6.5
8. Cotton textiles	5.5	11.3	13.0	5.0	4.8
9. Textile products (including wearing apparel)	2.5	20.6	12.9	7.1	4.0
10. Other manufacturing industries	2.6	23.0	10.4	8.1	3.4
11. Paper and paper products and printing, publishing and allied activities	2.7	5.2	8.4	1.9	2.4
12. Metal products and parts (except machinery and equipment)	2.8	-2.2	6.8	-0.7	1.5
13. Wool, silk and man-made fibre textiles	2.3	-0.8	6.6	-0.3	1.8
14. Food products	9.1	-4.6	1.9	-3.9	1.1
15. Wood and wood products, furniture and fixtures	2.7	-3.5	2.4	-0.5	0.2
16. Jute and other vegetable fibre textiles (except cotton)	0.6	2.6	1.0	0.1	0.0
17. Leather and leather and fur products	1.1	0.0	-3.7	0.0	-0.3
Manufacturing - Total	79.4	9.4	11.5	100	100

P : Provisional. # : Figures may not add up to 100 due to rounding off.
Source : Central Statistical Organisation.

In terms of use-based classification, the capital goods sector continued to exhibit a high growth (see Table 6). Sustained growth in domestic production of capital goods along with large growth in their imports is indicative of ongoing strong investment activity in the economy. Basic and intermediate goods recorded an acceleration on account of higher production of cotton yarn, viscose staple fibre and minerals. Growth of consumer goods sector moderated on the back of deceleration in growth of consumer non-durables. This was, in turn, due to decline in production of milk powder, wheat flour and edible oils.

Infrastructure

Growth in infrastructure industries improved to 7.8 per cent during April-November 2006 from 5.2 per cent during the same period of 2005 on account of better performance of electricity, crude petroleum and petroleum refinery products (Chart 4). Higher plant load factor in thermal power plants and higher than targeted hydro power generation led to a higher growth in the electricity sector. Double-digit growth in the petroleum refinery products was partly attributable to the base effect. The turnaround in crude oil production largely reflected restoration of production of crude oil at Mumbai High offshore. Cement production continued to record a strong growth, even on a high base, on the back of strong construction demand.



Services Sector

During the first half of 2006-07, growth in the services sector accelerated to 10.6 per cent from 10.2 per cent during the first half of 2005-06 (see Table 1). The services sector, thus, continued to be the key driver of economic activity in the country, contributing nearly three-fourth to overall growth. The sub-sector 'trade, hotels, restaurants, transport, storage and communication', which constitutes almost one fourth of GDP, led the growth in the services, benefiting from growth in activities such as tourism, telecommunications, railways freight traffic and civil aviation (Table 8). The sub-sector 'financing, insurance, real

Table 8: Indicators of Services Sector Activity

Sub-sector	(Growth rates in per cent)			
	2004-05	2005-06	April-October	
			2005	2006
1	2	3	4	5
Tourist arrivals	24.0	12.7	13.0 ^	13.5 ^
Commercial vehicles production	28.6	10.6	15.3 *	31.6 *
Railway revenue earning freight traffic	8.1	10.7	9.5	9.9
New cell phone connections	10.4	89.4	38.4	121.9
Cargo handled at major ports	11.3	10.3	13.2	6.6
Civil aviation				
a) Export cargo handled	12.4	7.3	15.5	-3.1
b) Import cargo handled	24.2	15.8	12.3	19.3
c) Passengers handled at international terminals	14.0	12.8	12.8	11.9
d) Passengers handled at domestic terminals	23.6	27.1	22.5	38.8
Cement	8.2	10.7	10.6 *	10.2 *
Steel	7.6	6.0	10.0 *	7.6 *
Aggregate deposits	11.9	22.3	8.9 #	12.9 #
Non-food credit	31.6	38.4	17.5 #	16.9 #
Central Government expenditure ##	9.4	8.4 P	10.8 *	14.9 *

^ : Up to December. * : April-November. # : up to January 5, 2007. P : Provisional.
: Data for the years 2003-04 and 2004-05 are taken net of repayments to NSSF.

Table 9: Growth in Services Sectors

Table 9: Growth in Services Sectors						
(Contribution to Overall Real GDP Growth, percentage points)						
Year	Construction	Trade, Hotels, Transport and Communication	Financing, Insurance, Real Estate and Business Services	Community, Social and Personal Services	Total Services	
1	2	3	4	5	6	
2000-01	0.4	1.5	0.5	0.7	3.1	
2001-02	0.2	2.0	0.9	0.6	3.8	
2002-03	0.5	2.1	1.1	0.5	4.1	
2003-04	0.7	2.9	0.6	0.8	4.9	
2004-05	0.8	2.6	1.2	1.3	5.9	
2005-06	0.8	2.9	1.3	1.1	6.1	
2005-06 Q1	0.8	2.9	1.2	1.0	5.9	
Q2	0.8	2.7	1.5	1.2	6.3	
Q3	0.7	2.5	1.1	1.1	5.3	
Q4	0.7	3.3	1.3	1.1	6.5	
2006-07 Q1	0.6	3.3	1.2	1.0	6.2	
Q2	0.7	3.6	1.4	1.1	6.7	

estate and business services' witnessed a strong growth, though with some moderation, on the back of buoyancy in business services (such as software), growth in deposits and credit offtake. Construction activity also continued to record a strong growth, *albeit* somewhat lower than a year ago (Table 9).

Business Expectations Surveys

Business confidence surveys suggest that economic activity is likely to remain buoyant in the near term. After having declined in the previous round in the aftermath of volatility in stock market and elevated oil prices, business confidence indices compiled by various agencies recovered on the back of rebound in the stock market, decline in international crude oil prices from their record highs, close to normal monsoon, strong economic growth, high level of capacity utilisation and improved expectations of financial performance. Dun & Bradstreet's composite business optimism index for the period January-March 2007 increased by 9.8 per cent over the previous quarter; five out of six indices, *viz.*, volume of sales, net profits, selling prices, new orders and inventory levels are expected to increase over the previous quarter. About 94 per cent of the respondents anticipated an increase in profitability, while 95 per cent anticipated an increase in sales volume. The National Council of Applied Economic Research's (NCAER's) business confidence index (BCI) for October-December 2006 rose by 3.2 per cent over the previous round (Table 10).

According to the Reserve Bank's latest Industrial Outlook Survey, the business expectations indices based on assessment for October-December 2006

Table 10: Business Expectations Surveys

Agency	Business Expectations		Growth over a year ago (per cent)	Growth over previous round (per cent)
	Period	Index		
1	2	3	4	5
Dun & Bradstreet	January-March 2007	Business Optimism Index	16.0	9.8
NCAER	October-December 2006	Business Confidence Index	3.9	3.2
RBI	January-March 2007	Business Expectation Index	0.6	1.0

and on expectations for January-March 2007 increased by 2.7 per cent and 1.0 per cent, respectively, over the previous quarter. Business confidence has, thus, continued with the general uptrend that began in early 2002, *albeit* with some fluctuations (Chart 5).

The improvement in expectations index for January-March 2007 was backed by higher net responses for major parameters of the survey such as the overall business situation, production, order books, capacity utilisation, employment, and profit margins over the previous quarter. The financial situation is expected to show an improvement, as the higher working capital finance requirement is also expected to be met by improvement in the availability of finance. Expectations of increase in selling prices, exports and imports have, however, moderated *vis-à-vis* the previous quarter (Table 11).

To sum up, the industry and the services sectors have remained strong during 2006-07 so far. Business confidence surveys also suggest that economic activity

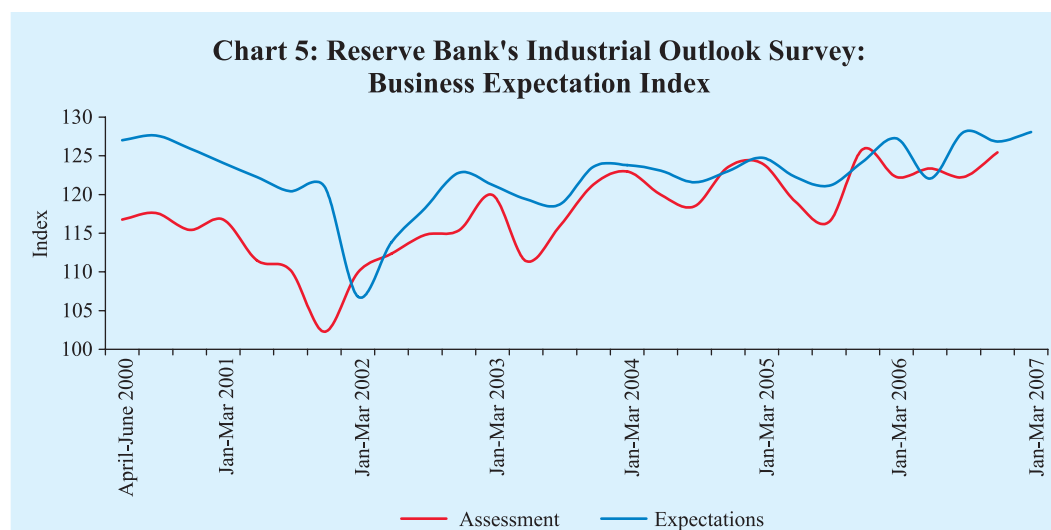


Table 11: Net Response on 'A Quarter Ahead' Expectations About the Industrial Performance

		(Per cent)				
Parameter	Response	Jan.-March 2006 (934)	April-June 2006 (1086)	July-Sept. 2006 (1073)	Oct.-Dec. 2006 (1138)	Jan.-March 2007 (1115)
1	2	3	4	5	6	7
1. Overall business situation	Better	49.8	46.3	53.1	51.8	53.7
2. Financial situation	Better	40.7	40.4	43.4	41.9	44.5
3. Working capital finance requirement	Increase	31.9	30.6	32.7	35.4	36.2
4. Availability of finance	Improve	34.1	33.8	35.0	33.4	36.2
5. Production	Increase	46.3	42.5	49.4	49.7	50.7
6. Order books	Increase	41.0	39.1	45.2	46.3	47.3
7. Cost of raw material	Decrease	-35.9	-37.3	-45.8	-49.2	-41.7
8. Inventory of raw material	Below average	-6.8	-5.0	-6.3	-6.1	-7.1
9. Inventory of finished goods	Below average	-4.7	-4.5	-2.6	-4.9	-5.2
10. Capacity utilisation	Increase	29.6	24.8	32.1	33.2	33.3
11. Level of capacity utilisation	Above normal	11.4	9.4	11.8	10.9	12.8
12. Assessment of the production capacity	More than adequate	4.9	4.1	3.6	5.1	4.8
13. Employment in the company	Increase	13.3	14.5	16.4	17.9	18.1
14. Exports, if applicable	Increase	31.8	31.0	38.3	34.2	32.6
15. Imports, if any	Increase	20.8	22.7	23.8	23.4	20.8
16. Selling prices are expected to	Increase	10.8	12.4	16.6	16.8	14.2
17. If increase expected in selling prices	Increase at lower rate	16.3	12.0	10.5	14.5	10.5
18. Profit margin	Increase	12.6	9.3	11.1	9.2	11.6

Note : 1. Figures in parentheses represent number of companies included in the results.
2. 'Net response' is measured as the percentage 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*.

is likely to remain buoyant in the near term. The ongoing momentum in economic growth is, thus, likely to remain robust in the rest of 2006-07 (Table 12).

Table 12: Projections of Real Gross Domestic Product for India by Various Agencies for 2006-07

		(Per cent)				
Agency		Overall Growth	Agriculture	Industry	Services	Month of Projection
1		2	3	4	5	6
Asian Development Bank	a)	7.8	..	..	..	Sep-06
Investment Information and Credit Rating Agency of India	a)	7.4-8.2	2.0	8.2-9.7	9.1-9.7	Jan-06
	b)	8.1	1.0	10.8	9.5	Jul-06
Centre for Monitoring Indian Economy	a)	8.5	2.6	9.7	10.3	Dec-06
National Council of Applied Economic Research.	a)	8.1	..	..	..	Nov-06
	b)	8.4	2.7	9.1	10.2	Jan-07
International Monetary Fund	a)	7.3 @	..	..	..	Apr-06
	b)	8.3 @	..	..	..	Sep-06
Reserve Bank of India	a)	7.5-8.0	..	..	..	Apr-06
	b)	Around 8.0	..	..	..	Oct-06
JP Morgan	a)	8.0	..	..	..	Oct-06
	b)	8.4	..	..	..	Dec-06
Citigroup	a)	8.3	..	..	..	Sep-06
	b)	8.3	..	..	..	Jan-07
ABN AMRO	a)	7.5	..	..	..	Sep-06
	b)	8.2	2.4	8.4	10.0	Dec-06
Indicus Analytics	a)	7.9	..	..	..	Sep-06
	b)	8.9	3.0	9.7	10.5	Dec-06

.. : Not Available. @ : Calendar year 2006.