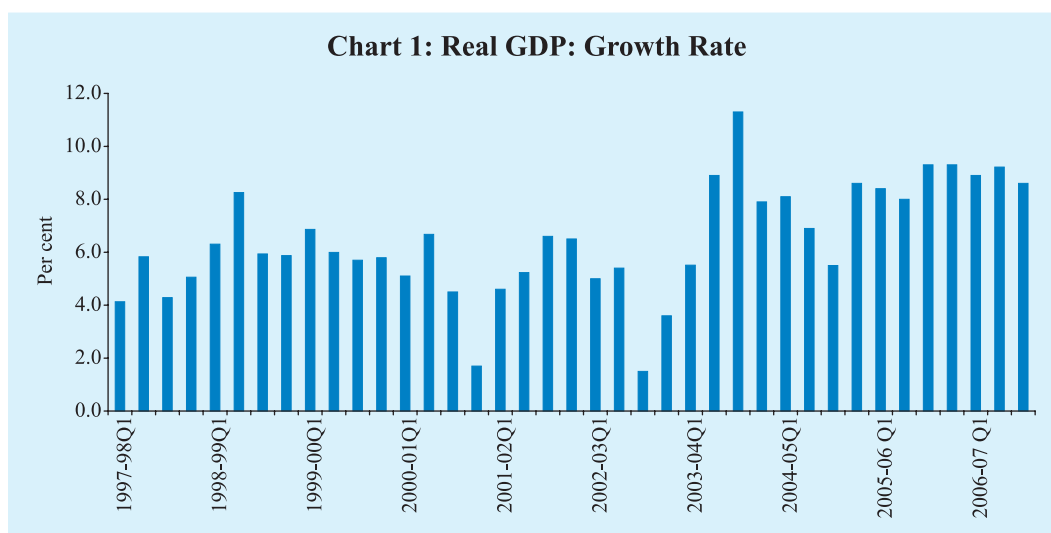


I. THE REAL ECONOMY

The Indian economy witnessed robust growth during 2006-07 for the fourth year in succession. According to the advance estimates released by the Central Statistical Organisation (CSO), real Gross Domestic Product (GDP) growth is expected to accelerate from 9.0 per cent in 2005-06 to 9.2 per cent in 2006-07. Real GDP growth is, thus, expected to average 8.6 per cent during the four year period from 2003-04 to 2006-07. The acceleration in growth during 2006-07 was driven by the continued momentum in the services and manufacturing sectors, both of which are expected to record double-digit growth. 'Agriculture and allied activities' growth, however, slowed down from 6.0 per cent in 2005-06 to 2.7 per cent in 2006-07 (Table 1 and Chart 1).

Table 1: Growth Rates of Real GDP

Table 1: Growth Rates of Real GDP												
(Per cent)												
Sector	2000-01 to 2006-07 (Average)	2004-05	2005-06*	2006-07#	2005	2006	2005-06			2006-07		
					-06	-07	April-December			Q1	Q2	Q3
1	2	3	4	5	6	7	8	9	10	11	12	13
1. Agriculture and Allied Activities	2.5 (21.4)	0.0 (20.2)	6.0 (19.7)	2.7 (18.5)	6.0	2.2	4.0	4.0	8.7	3.4	1.7	1.5
2. Industry	7.6 (19.6)	8.4 (19.6)	8.0 (19.4)	10.2 (19.6)	7.8	10.1	9.8	6.6	7.2	9.7	10.5	10.0
2.1 Mining and Quarrying	4.5	7.5	3.6	4.5	3.0	4.1	6.0	0.1	2.7	3.4	3.1	5.7
2.2 Manufacturing	7.5	8.7	9.1	11.3	9.0	11.3	10.7	8.1	8.2	11.3	11.9	10.7
2.3 Electricity, Gas and Water Supply	4.5	7.5	5.3	7.7	5.0	7.5	7.4	2.6	5.0	5.4	7.7	9.3
3. Services	8.6 (59.0)	10.0 (60.2)	10.3 (60.9)	11.0 (61.9)	9.8	10.8	9.5	9.5	10.3	10.4	10.7	11.1
3.1 Trade, Hotels, Restaurants, Transport, Storage and Communication	10.3	10.9	10.4	13.0	9.9	13.3	10.2	9.5	10.0	13.1	13.8	13.0
3.2 Financing, Insurance, Real Estate and Business Services	8.0	8.7	10.9	11.1	9.8	10.1	8.9	10.6	9.8	9.0	9.5	11.6
3.3 Community, Social and Personal Services	6.0	7.9	7.7	7.8	7.9	7.2	7.5	7.9	8.3	7.4	6.9	7.5
3.4 Construction	9.7	14.1	14.2	9.4	13.6	9.7	12.7	11.3	16.6	9.5	9.8	9.9
4. Real GDP at Factor Cost	6.9	7.5	9.0	9.2	8.6	8.9	8.4	8.0	9.3	8.9	9.2	8.6
<i>Memo:</i> (Amount in Rupees crore)												
a) Real GDP at factor cost (1999-2000 prices)		23,89,660	26,04,532	28,44,022								
b) GDP at current market prices		31,26,596	35,67,177	41,00,636								
* : Quick Estimates. # : Advance Estimates.												
Note : Figures in parentheses denote share in real GDP												
Source : Central Statistical Organisation.												



Agricultural Situation

The rainfall during the 2006 South-West monsoon season (June 1 to September 30) was close to normal, although the distribution was uneven. Excess rainfall during the first three weeks of August 2006 largely offset the deficiency in the rainfall from the second week of June to July 2006 and again in mid-September 2006. This resulted in a comfortable reservoir position at the end of the South-West monsoon season, with the total live water storage at 91 per cent of the Full Reservoir Level (FRL) (higher than that of 81 per cent in 2005 and the average of 71 per cent in the last 10 years), which augured well for the ensuing *rabi* crops. 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 during the North-East monsoon was deficient/scanty/no rain in 27 sub-divisions (19 sub-divisions during last year) (Table 2). As on March 29, 2007, the total live water storage was 39 per cent (37 per cent last year) of the FRL.

The uneven and delayed rainfall during the South-West monsoon season led to a reduction of 1.9 per cent in the area coverage under *kharif* crops in 2006 season, mainly in respect of rice, coarse cereals and oilseeds. On the other hand, favourable soil moisture conditions along with remunerative open market and support prices led to an increase of 2.1 per cent in the area sown under *rabi* crops (up to March 30, 2007); increase in the area covered under wheat, pulses and coarse cereals more than offset some decline in the area under oilseeds and rice (Table 3).

According to the Third Advance Estimates, production of foodgrains during 2006-07 is likely to be 211.8 million tonnes, an increase of 1.5 per cent over the previous year. Shortfall in the case of rice and coarse cereals would be offset by

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.

higher production of wheat and pulses. Among the non-foodgrains, sugarcane and cotton are expected to scale new peaks during 2006-07; the production of oilseeds is, however, expected to be lower on account of decline in acreage (Table 4).

Food Management

The procurement of foodgrains (rice and wheat) during 2006-07, at 35.9 million tonnes (mt), was 12.7 per cent lower than that in the preceding year mainly

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 March 30, 2007)				
Rice	38.2	37.4	37.2	-0.2	Rice	4.9	4.3	4.1	-0.2
Coarse Cereals	22.9	22.8	21.1	-1.6	Wheat	26.1	26.7	28.5	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	4.9	4.8	-0.1
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	13.8	14.2	0.5
Total Kharif Oilseeds	15.4	17.7	16.9	-0.8	Total Rabi Oilseeds	8.2	11.5	10.3	-1.2
<i>Of which:</i>					<i>Of which:</i>				
Groundnut	5.5	5.6	4.8	-0.9	Groundnut	0.8	1.2	1.1	-0.1
Soyabean	6.6	7.8	8.1	0.3	Rapeseed &				
Sesamum	1.5	1.9	1.8	-0.1	Mustard	5.4	7.4	6.6	-0.7
Sunflower	0.5	0.9	0.9	-0.1	Sunflower	1.1	1.5	1.3	-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	62.6	63.9	1.3

Source : Ministry of Agriculture, Government of India.

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@				26.4	14.8	41.1	25.9	8.3	0.6	0.0	34.8	19.5	
2006-07@				26.7	9.2	35.9	26.2	4.1	0.0	0.0	30.4	18.1	
2006													
January	12.6	6.2	19.3	4.0	0.0	4.0	2.7	0.8	0.1	0.0	3.6	19.5	20.0
February	14.0	4.9	19.5	2.9	0.0	2.9	2.7	0.6	0.3	0.0	3.6	18.3	
March	14.1	3.5	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	2.9	0.4	0.0	0.0	3.3	22.3	
June	12.0	9.3	22.3	1.5	0.0	1.5	2.6	0.6	0.0	0.0	3.2	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	2.6	0.5	0.0	0.0	3.1	12.6	
October	6.0	6.4	12.6	8.0	0.0	8.0	2.5	0.3	0.0	0.0	2.9	18.7	16.2
November	12.5	6.0	18.7	2.0	0.0	2.0	2.5	0.4	0.0	0.0	2.9	17.8	
December	12.1	5.6	17.8	2.6	0.0	2.6	2.6	0.3	0.0	0.0	3.0	17.5	
2007													
January	12.0	5.4	17.5	4.3	0.0	4.3	2.7	0.4	0.0	0.0	3.1	18.1	20.0
February	12.6	5.4	18.1	2.4	0.0	2.4	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	
March*	N.A.	N.A.	N.A.	1.2	0.0	1.2	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.
 @ : Offtake up to end-January. * : Procurement up to March 30, 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.

contributing almost 91 per cent of the growth in industry (Table 6). Electricity and mining sectors also picked up during the year.

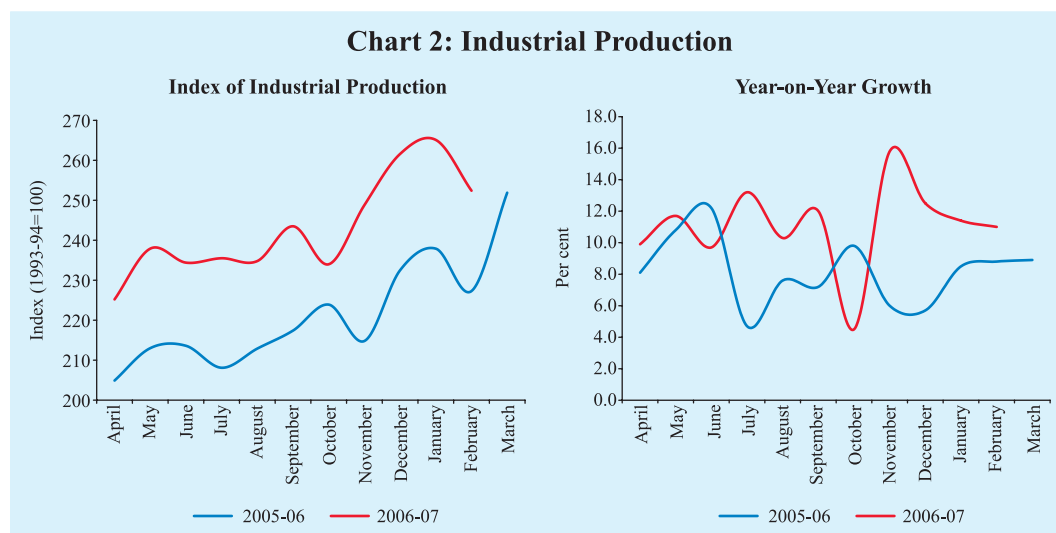


Table 6: Index of Industrial Production: Sectoral and Use-Based Classification of Industries

(Per cent)							
Industry Group	Weight in the IIP	Growth Rate			Weighted Contribution #		
		April-March	April-February		April-March	April-February	
		2005-06	2005-06	2006-07 P	2005-06	2005-06	2006-07 P
1	2	3	4	5	6	7	8
Sectoral							
Mining	10.5	1.0	0.9	4.9	1.0	0.9	3.2
Manufacturing	79.4	9.1	9.1	12.1	93.3	93.0	91.1
Electricity	10.2	5.2	5.3	7.2	5.7	6.0	5.7
Use-Based							
Basic Goods	35.6	6.7	6.5	10.1	25.4	24.9	27.7
Capital Goods	9.3	15.7	16.3	17.8	20.0	20.2	17.3
Intermediate Goods	26.5	2.5	2.4	11.6	8.4	8.3	27.3
Consumer Goods (a+b)	28.7	12.0	12.0	9.5	46.3	46.7	28.0
a) Consumer Durables	5.4	15.3	14.7	9.8	14.9	14.5	7.5
b) Consumer Non-durables	23.3	10.9	11.1	9.4	31.4	32.2	20.5
General	100.0	8.2	8.1	11.1	100.0	100.0	100.0
P : Provisional. # : Figures may not add up to 100 due to rounding off.							
Source : Central Statistical Organisation.							

The robust performance of the manufacturing sector was largely led by 'machinery and equipments', 'basic metal and alloy industries' and 'chemical and chemical products' (Table 7). 'Metal products and parts', 'leather and leather and fur products' and 'wood and wood products' made a turnaround.

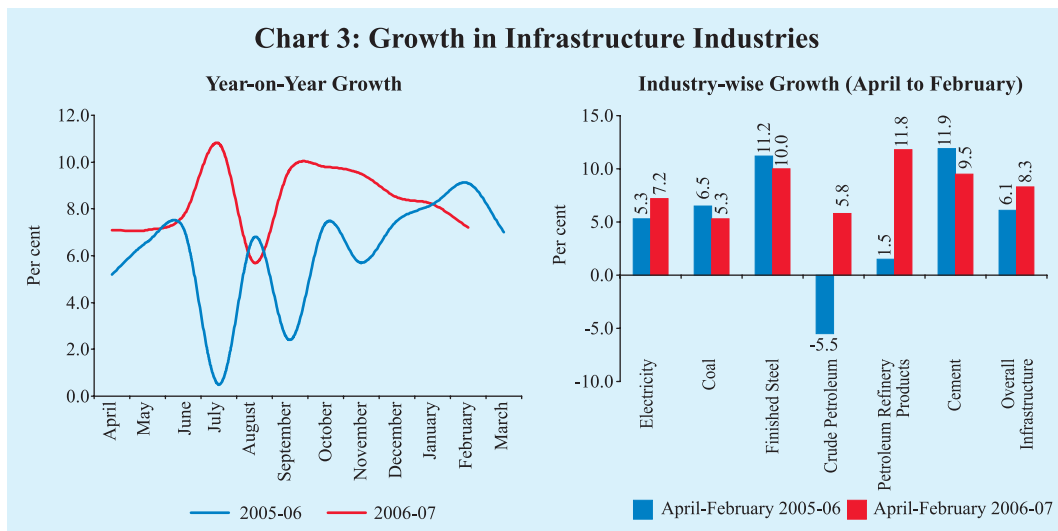
Table 7: Growth of Manufacturing Groups

(Per cent)					
Industry Group	Weight in the IIP	Growth Rate		Weighted Contribution #	
		April-February		April-February	
		2005-06	2006-07P	2005-06	2006-07P
1	2	3	4	5	6
1. Machinery and equipment other than transport equipment	9.6	12.1	14.0	20.7	18.4
2. Chemicals and chemical products except products of petroleum and coal	14.0	8.6	8.9	18.7	14.5
3. Basic metal and alloy industries	7.5	14.9	22.8	14.2	17.1
4. Transport equipment and parts	4.0	12.6	15.1	9.2	8.6
5. Non-metallic mineral products	4.4	10.1	13.2	7.0	7.0
6. Beverages, tobacco and related products	2.4	15.8	11.4	8.5	4.9
7. Rubber, plastic, petroleum and coal products	5.7	4.3	12.2	3.1	6.3
8. Cotton textiles	5.5	9.4	14.7	4.3	5.0
9. Textile products (including wearing apparel)	2.5	18.3	10.6	6.6	3.1
10. Other manufacturing industries	2.6	23.3	10.1	8.4	3.1
11. Paper and paper products and printing, publishing and allied activities	2.7	0.8	8.7	0.3	2.4
12. Metal products and parts (except machinery and equipment)	2.8	-1.3	7.7	-0.4	1.6
13. Wool, silk and man-made fibre textiles	2.3	0.4	8.7	0.2	2.2
14. Food products	9.1	0.6	6.2	0.6	4.3
15. Wood and wood products, furniture and fixtures	2.7	-5.6	21.8	-0.7	1.9
16. Jute and other vegetable fibre textiles (except cotton)	0.6	1.1	-15.1	0.0	-0.4
17. Leather and leather and fur products	1.1	-5.2	0.9	-0.6	0.1
Manufacturing – Total	79.4	9.1	12.1	100.0	100.0
P : Provisional. # : Figures may not add up to 100 due to rounding off.					
Source : Central Statistical Organisation.					

In terms of the use-based classification, the capital goods sector maintained its growth momentum (17.8 per cent during April-February 2006-07 as compared with 16.3 per cent a year ago) on the back of strong investment demand (Table 6). Basic goods and intermediate goods sectors recorded growth of 10.1 per cent and 11.6 per cent, respectively - the highest growth rates since 1995-96 - spurred by higher production of cement, high speed diesel, iron and steel products, polyester fibre, viscose staple fibre, PVC pipes and tubes, and glazed tiles/ceramic tiles. Growth in consumer goods sector, both durables and non-durables, decelerated. Decline in production of some food products and a few drugs contributed to the lower growth in consumer non-durables.

Infrastructure

Growth in the infrastructure sector increased to 8.3 per cent during April-February 2006-07 from 6.1 per cent during the same period of 2005-06 on account of better performance of crude petroleum, electricity and petroleum refinery products (Chart 3). The higher thermal plant load factor and double-digit growth in hydro-power generation led to higher growth in electricity sector. Double-digit growth in the petroleum refinery products was partly due to the base effect and partly due to higher refinery capacity utilisation. The turnaround in crude petroleum production was on account of the restoration of production at Mumbai High offshore. Cement and steel production remained buoyant even on a high base.



Services Sector

The services sector, with a growth rate of 10.8 per cent during April-December 2006 as compared with 9.8 per cent a year ago, continued to be the key driver of economic activity (Table 1). 'Trade, hotels, transport and communication'

Table 8: 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	1.6	0.5	0.7	3.2	
2001-02	0.2	2.0	0.9	0.6	3.8	
2002-03	0.5	2.1	1.1	0.6	4.2	
2003-04	0.7	2.9	0.8	0.8	5.2	
2004-05	0.9	2.7	1.2	1.1	5.9	
2005-06	0.9	2.7	1.5	1.1	6.2	
2006-07	0.6	3.4	1.5	1.1	6.7	
2005-06 Q1	0.8	2.5	1.2	1.0	5.5	
Q2	0.8	2.3	1.5	1.2	5.8	
Q3	0.9	2.4	1.2	1.1	5.7	
Q4	0.7	3.3	1.3	1.2	6.5	
2006-07 Q1	0.6	3.3	1.3	1.0	6.2	
Q2	0.7	3.6	1.4	1.1	6.7	
Q3	0.6	3.3	1.5	1.0	6.4	

and 'financing, insurance, real estate and business services' registered double-digit growth rates, offsetting the deceleration in 'construction'. The sub-sector 'trade, hotel, transport and communication' contributed more than a third to overall real GDP growth during April-December 2006. It benefited from buoyancy in tourist arrivals, commercial vehicles production, telecom use, revenue earning freight of the railways, and passengers handled at domestic and international airports. The sub-sector 'financing, insurance, real estate and business services' benefited from acceleration of growth in bank deposits, sustained growth in non-food credit and continued buoyancy in business process outsourcing and information technology-enabled services exports (Tables 8 and 9).

Table 9: Indicators of Services Sector Activity				
(Growth rates in per cent)				
Sub-sector	2004-05	2005-06	April-January	
			2005-06	2006-07
1	2	3	4	5
Tourist arrivals	22.8	12.1	12.1\$	14.4 \$
Commercial vehicles production	28.6	10.6	10.0	34.8
Railway revenue earning freight traffic	8.1	10.7	10.4	9.4
New cell phone connections	10.4	89.4	68.0	96.4
Cargo handled at major ports	11.3	10.3	11.7	8.9
Civil aviation				
a) Export cargo handled	12.4	7.3	7.3	2.7
b) Import cargo handled	24.2	15.8	13.5	19.4
c) Passengers handled at international terminals	14.0	12.8	12.8	12.1
d) Passengers handled at domestic terminals	23.6	27.1	22.9	36.4
Roads: Upgradation of Highways	16.1	-23.4	-	-
Cement	8.2	10.7	11.9 #	9.5 #
Steel	7.6	6.0	11.2 #	10.0 #
Aggregate deposits	11.9	18.1	18.1 \$	23.0 \$
Non-food credit	31.6	31.8	31.8 \$	28.0 \$
Central Government expenditure	9.5*	8.7	7.7 *#	14.3 #

\$: April-March. * : net of repayments to NSSF. # : April-February

Saving and Investment

Gross Domestic Savings (GDS), as per cent of GDP at current market prices, increased from 31.1 per cent in 2004-05 to 32.4 per cent in 2005-06 due to improvement in private corporate and household savings. The corporate savings rate has nearly doubled between 2002-03 and 2005-06 on the back of strong growth in profitability. While the overall savings rate increased by 1.3 percentage points of GDP in 2005-06, the overall investment rate increased by 2.3 percentage points of GDP to 33.8 per cent, reflecting the increase in current account deficit relative to GDP (Table 10).

Table 10: Gross Domestic Saving and Investment

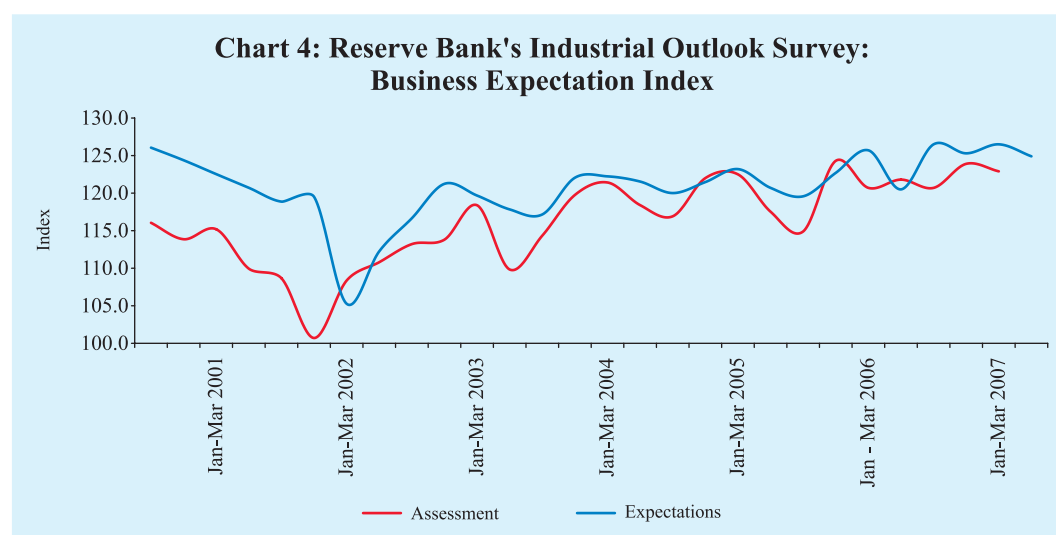
(Per cent of GDP at current market prices)							
	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05 (PE)	2005-06 (QE)
1	2	3	4	5	6	7	8
1. Household Saving	21.1	21.0	21.8	22.7	23.8	21.6	22.3
<i>of which :</i>							
a) Financial Assets	10.6	10.2	10.8	10.3	11.3	10.2	11.7
b) Physical Assets	10.5	10.8	10.9	12.4	12.4	11.4	10.7
2. Private Corporate Saving	4.5	4.3	3.7	4.2	4.7	7.1	8.1
3. Public Sector Saving	-0.8	-1.9	-2.0	-0.6	1.2	2.4	2.0
4. Gross Domestic Saving	24.8	23.4	23.5	26.4	29.7	31.1	32.4
5. Net Capital Inflow	1.1	0.6	-0.6	-1.2	-1.6	0.4	1.3
6. Gross Domestic Capital Formation	25.9	24.0	22.9	25.2	28.0	31.5	33.8
7. Gross Capital Formation	26.1	24.1	23.8	25.0	26.6	29.7	32.2
<i>of which :</i>							
a) Public Sector	7.4	6.9	6.9	6.1	6.3	7.1	7.4
b) Private Corporate Sector	7.4	5.7	5.4	5.9	6.9	9.9	12.9
c) Household Sector	10.5	10.8	10.9	12.4	12.4	11.4	10.7
d) Valuables +	0.8	0.7	0.6	0.6	0.9	1.3	1.2
8. Total Consumption Expenditure (a+b)	77.4	76.7	76.7	74.7	73.2	70.9	69.4
a) Private Final Consumption Expenditure	64.4	64.0	64.2	62.9	62.0	59.9	58.1
b) Government Final Consumption Expenditure	12.9	12.6	12.4	11.9	11.2	11.0	11.3
<i>Memo:</i>							
Saving-Investment Balance (4-6)	-1.1	-0.6	0.6	1.2	1.6	-0.4	-1.3
Public Sector Balance#	-8.2	-8.8	-8.9	-6.6	-5.2	-4.7	-5.4
Private Sector Balance#	7.7	8.8	9.2	8.6	9.2	7.4	6.9
a) Private Corporate Sector	-2.9	-1.4	-1.7	-1.7	-2.2	-2.8	-4.8
b) Household Sector	10.6	10.2	10.8	10.3	11.3	10.2	11.7
PE : Provisional Estimates. QE : Quick Estimates.							
# : Investment figures are not adjusted for errors and omissions.							
+ : Valuables cover the expenditures made on acquisition of valuables, excluding works of art and antiques.							
Note : Figures may not add up to the totals due to rounding off.							
Source : Central Statistical Organisation.							

Business Expectations Surveys

Business confidence surveys conducted by various agencies present a mixed short-term outlook of the economy. According to the latest Business Confidence Survey conducted by the Federation of Indian Chambers and Commerce and Industry (FICCI) during the third quarter of 2006-07, the overall business confidence index increased by 4.0 per cent over the previous quarter (Table 11). Outlook on investment and exports for the next six months was, however, less encouraging, attributable to rising prices of capital goods, increasing cost of credit and rising input prices. The service sector emerged as the most optimistic sector among the three industry sectors surveyed, with 80 per cent of the respondents expecting their sector to perform 'moderately to substantially better' in the next six months.

Table 11: Business Expectations Surveys				
Agency	Business Expectations		Growth over a year ago	Growth over previous round
	Period	Index		
1	2	3	4	5
Dun & Bradstreet	January-March 2007	Business Optimism Index	16.0	9.8
NCAER	January-June 2007	Business Confidence Index	3.9	3.2
FICCI	January-June 2007	Business Confidence Index	-2.1	4.0
RBI	April-June 2007	Business Expectation Index	4.4	-1.6

According to the Reserve Bank's latest Industrial Outlook Survey conducted during December 2006-January 2007, the business expectations index based on assessment for January-March 2007 declined by 1.0 per cent (Chart 4). The



business expectations index based on expectations for April-June 2007 also declined by 1.6 per cent over the previous quarter. The indices were, however, higher by 2.2 per cent and 4.4 per cent, respectively, than a year ago.

The decline in the expectations index for April-June 2007 over the previous quarter was on account of fall in expectations for major parameters of the survey such as overall business situation, production, working capital finance, order books, capacity utilisation and profit margin. Expectations of increase in employment, exports, imports and selling prices were, however, higher than the previous quarter (Table 12).

Forecasts by various agencies for real GDP growth in 2007-08 are set out in Table 13.

Table 12: Net Response on 'A Quarter Ahead' Expectations

Table 12: Net Response on 'A Quarter Ahead' Expectations						
(Per cent)						
Parameter	Response	Apr- June 2006 (1086)	July- Sept. 2006 (1073)	Oct- Dec. 2006 (1138)	Jan- March 2007 (1115)	Apr- June 2007 (1108)
1	2	3	4	5	6	7
1. Overall business situation	Better	46.3	53.1	51.8	53.7	51.7
2. Financial situation	Better	40.4	43.4	41.9	44.5	43.8
3. Working capital finance requirement	Increase	30.6	32.7	35.4	36.2	35.3
4. Availability of finance	Improve	33.8	35.0	33.4	36.2	35.2
5. Production	Increase	42.5	49.4	49.7	50.7	47.8
6. Order books	Increase	39.1	45.2	46.3	47.3	45.7
7. Pending orders, if applicable	Below normal	-0.1	-0.8	-2.1	-2.7	-2.2
8. Cost of raw material	Decrease	-37.3	-45.8	-49.2	-41.7	-42.1
9. Inventory of raw material	Below average	-5.0	-6.3	-6.1	-7.1	-7.3
10. Inventory of finished goods	Below average	-4.5	-2.6	-4.9	-5.2	-4.4
11. Capacity utilisation (Main product)	Increase	24.8	32.1	33.2	33.3	29.4
12. Level of capacity utilisation (Compared to the average in the preceding four quarters)	Above normal	9.4	11.8	10.9	12.8	11.5
13. Assessment of the production capacity (With regard to expected demand in the next six months)	More than adequate	4.1	3.6	5.1	4.8	4.0
14. Employment in the company	Increase	14.5	16.4	17.9	18.1	18.3
15. Exports, if applicable	Increase	31.0	38.3	34.2	32.6	33.4
16. Imports, if any	Increase	22.7	23.8	23.4	20.8	21.6
17. Selling prices are expected to	Increase	12.4	16.6	16.8	14.2	15.5
18. If increase expected in selling prices	Increase at lower rate	12.0	10.5	14.5	10.5	12.1
19. Profit margin	Increase	9.3	11.1	9.2	11.6	9.9

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*.

**Table 13: Projections of Real GDP for India for 2007-08
by various Agencies**

(Per cent)					
Agency	Overall Growth	Agriculture	Industry	Services	Month of Projection
1	2	3	4	5	6
ABN AMRO	7.6	–	–	–	March 2007
Asian Development Bank	8.0	–	–	–	March 2007
CII	8.5	3.0	9.3	9.9	April 2007
Citigroup	9.3	3.0	10.3	10.9	April 2007
CRISIL	7.9-8.4	–	–	–	March 2007
Indicus Analytics	8.4	3.0	7.9	9.7	April 2007
International Monetary Fund	8.4*	–	–	–	April 2007
ICRA	8.5	–	9.8	–	February 2007
JP Morgan	8.0	–	–	–	March 2007
National Council for Applied Economic Research	8.3	2.6	8.7	9.9	April 2007

– : Not Available. * : Calendar Year.