

Macroeconomic and Monetary Developments: Mid-Term Review 2006-07*

I. The Real Economy

The Indian economy continued to exhibit strong growth during the first quarter of 2006-07. According to the Central Statistical Organisation (CSO), real gross domestic product (GDP) registered an increase of 8.9 per cent in the first quarter (April-June) of 2006-07 as compared with 8.5 per cent in the corresponding period of 2005-06, benefiting from strong manufacturing as well as service sector activities (Table 1 and Chart 1). All major sub-sectors, excepting 'electricity, gas and water supply' and 'construction', recorded an accelerated growth during April-June 2006; growth in the agricultural sector was the same as a year ago. Services sector remained the key driver of economic activity with a contribution of around 71 per cent to overall

real GDP growth followed by industry (22 per cent). The Indian economy thus maintained the momentum of growth recorded in the latest three years (2003-04 to 2005-06).

Against the backdrop of the economic performance in the first quarter, developments in the real economy during 2006-07 so far covering the agricultural situation, industrial production, lead indicators of service sector activity, business and investment expectations are presented in this section.

AGRICULTURAL SITUATION

The cumulative rainfall during the South-West monsoon season 2006 (June 1 to September 30, 2006) was close to

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

(Per cent)

Sector	2000-01 to 2002-03 (Average)	2003-04	2004-05*	2005-06#	2005-06				2006-07
					Q1	Q2	Q3	Q4	Q1
1	2	3	4	5	6	7	8	9	10
1. Agriculture and Allied Activities	-0.2 (23.5)	10.0 (22.2)	0.7 (20.8)	3.9 (19.9)	3.4	4.0	2.9	5.5	3.4
1.1 Agriculture	-0.5	10.7	0.7	..					
2. Industry	5.2 (19.7)	6.6 (19.5)	7.4 (19.5)	7.6 (19.3)	9.5	6.3	7.0	7.9	9.7
2.1 Mining and Quarrying	4.4	5.3	5.8	0.9	3.1	-2.6	0.0	3.0	3.4
2.2 Manufacturing	5.7	7.1	8.1	9.0	10.7	8.1	8.3	8.9	11.3
2.3 Electricity, Gas and Water Supply	2.8	4.8	4.3	5.3	7.4	2.6	5.0	6.1	5.4
3. Services	6.6 (56.8)	8.5 (58.3)	10.2 (59.7)	10.3 (60.7)	10.1	10.3	9.7	11.0	10.5
3.1 Trade, Hotels, Restaurants, Transport, Storage and Communication	8.5	12.0	10.6	11.5	11.7	11.0	10.2	12.9	13.2
3.2 Financing, Insurance, Real Estate and Business Services	6.5	4.5	9.2	9.7	8.8	10.5	8.9	10.5	8.9
3.3 Community, Social and Personal services	4.1	5.4	9.2	7.8	7.3	8.0	8.4	7.6	7.4
3.4 Construction	5.9	10.9	12.5	12.1	12.4	12.3	11.5	12.0	9.5
4. Real GDP at Factor Cost	4.6	8.5	7.5	8.4	8.5	8.4	7.5	9.3	8.9

* : Quick Estimates. # : Revised Estimates. .. : Not available separately.

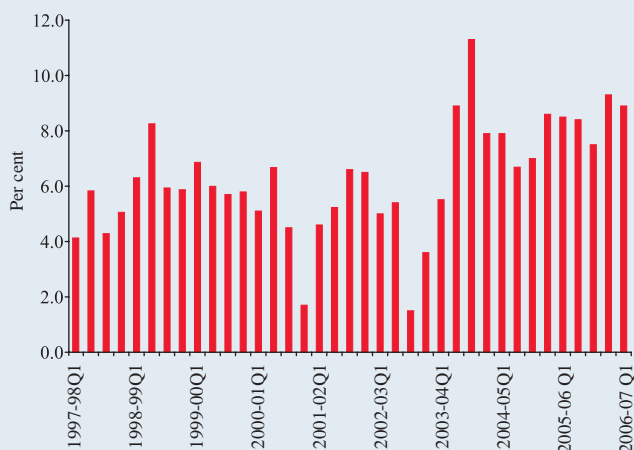
Note : 1. Figures in parentheses denote percentage shares in real GDP.

2. Q1: First Quarter (April-June); Q2: Second Quarter (July-September); Q3: Third Quarter (October-December);
Q4: January-March.

Source : Central Statistical Organisation.

* Issued with the Mid-Term Review of the Annual Policy Statement 2006-07.

Chart 1 : Real GDP: Growth Rate



normal (only one per cent below normal); however, the inter-temporal and inter-spatial distribution was uneven. The South-West monsoon arrived six days in advance - it reached Kerala on May 26, 2006 and covered rapidly the west coast by May 31, 2006 and up to Gujarat by June 2, 2006. Subsequently, the monsoon entered a weak phase and there was a prolonged hiatus in advancement of monsoon for about 16 days in June. The monsoon revived in the last week of June 2006, and advanced further into other regions. Monsoon covered the entire country by July 24, 2006, with a delay of nine days. Cumulative seasonal rainfall over the country, as a whole, remained below its long-period average throughout the monsoon period, except for the first week of June 2006. Of the 36 meteorological sub-divisions, cumulative rainfall was deficient/scanty/no rain in 10 sub-divisions (4 sub-divisions during last year) (Table 2). At the district level, 60 per cent of the total number of districts (533) reported excess/normal rainfall, while the rest received deficient/scanty/no rain. The total live water storage in the 76 major reservoirs¹ as on October 12, 2006 was 90 per cent of the Full Reservoir Level (FRL), higher than that of 81 per cent a year ago.

Kharif sowing was affected due to uneven and delayed rainfall in some parts of the country. As a result, coverage under *kharif* crops up to October 13, 2006 was around 2.2 per cent lower than a year ago (Table 3). The decline in area coverage was mainly on account of fall in sowing under coarse cereals and oilseeds. The area under irrigation intensive crops like sugarcane, on the other hand, was marginally higher than a year ago reflecting comfortable reservoir position.

Table 2: South-West Monsoon

Year	Cumulative Rainfall: Above(+)/ Below (-) Normal (per cent)	Excess Rainfall	Normal Rainfall	Deficient Rainfall	Scanty/ No Rain
		Number of Sub-Divisions			
1	2	3	4	5	6
1998	6	12	21	3	0
1999	-4	3	26	7	0
2000	-8	5	23	8	0
2001	-8	1	30	5	0
2002	-19	1	14	19	2
2003	2	7	26	3	0
2004	-13	0	23	13	0
2005	-1	9	23	4	0
2006	-1	6	20	10	0

Source : India Meteorological Department.

Reflecting the uneven rainfall and the modest decline in area sown, total *kharif* foodgrains production during 2006-07 at 105.2 million tonnes is likely to be 4.1 per cent lower than last year (Table 4). This decline is expected to emanate mainly from lower output of major cereals. Among the commercial crops, the output of oilseeds as well as cotton is expected to decline while that of sugarcane is expected to show an improvement.

Food Management

Total procurement of rice and wheat during 2006-07 (up to October 10, 2006) at 18.3 million tonnes (mt) was

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

(Million hectares)

Crop	Normal Area	Area Coverage (As on October 13)		
		2005	2006	Variation 2006 over 2005
1	2	3	4	5
Rice	38.2	37.0	36.7	-0.2
Coarse Cereals	22.9	22.8	21.1	-1.7
Of which				
Bajra	9.4	9.4	8.1	-1.3
Jowar	4.4	3.9	3.7	-0.2
Maize	6.2	6.9	7.3	0.4
Total Pulses	10.9	11.4	11.4	0.0
Total <i>Kharif</i> Oilseeds	15.4	17.6	16.8	-0.9
Of which				
Groundnut	5.5	5.6	4.7	-0.9
Soyabean	6.6	7.8	8.1	0.3
Sesamum	1.5	1.9	1.8	-0.1
Sunflower	0.5	0.9	0.9	-0.1
Sugarcane	4.2	4.3	4.4	0.2
Cotton	8.3	8.5	8.9	0.4
All Crops	99.8	101.5	99.3	-2.2

Source: Ministry of Agriculture, Government of India.

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

Table 4: Agricultural Production

(Million tonnes)

Crop	2002-03	2003-04	2004-05	2005-06 \$	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	8.4	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.

14.7 per cent lower than a year ago. The total off-take of foodgrains (up to July 31, 2006) at 11.8 mt was 19.4 per cent lower than a year ago. The off-take under the Targeted Public Distribution System (TPDS), Other Welfare Schemes (OWS) and Open Market Sales (OMS) was lower than the

previous year's level. The total stock of foodgrains with the Food Corporation of India (FCI) and the State Government agencies was around 17.5 mt as on August 1, 2006, down by 18.3 per cent from a year ago (Table 5). While wheat stocks (7.3 mt) were lower than the buffer

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	1.1	0.0	42.2	16.6	
2005-06@				6.6	14.8	21.4	10.2	4.3	0.1	0.0	14.6		
2006-07@				9.1	9.2	18.3	10.0	1.8	0.0	0.0	11.8		
2005													
April	13.3	4.1	18.0	1.4	12.8	14.2	2.4	1.0	0.0	0.0	3.4	28.5	16.2
May	13.0	15.1	28.5	1.0	1.9	3.0	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	0.8	0.0	0.8	2.8	0.8	0.1	0.0	3.6	21.4	26.9
August	8.0	13.0	21.4	0.4	0.0	0.4	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	15.6	
October	4.9	10.3	15.6	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	3.4	0.0	3.4	2.7	0.7	0.2	0.0	3.6	19.3	
2006													
January	12.6	6.2	19.3	3.8	0.0	3.8	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	3.5	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	2.5	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	2.4	0.4	0.0	0.0	2.9	17.5	26.9
August	9.9	7.3	17.5	0.5	0.0	0.5	N.A	N.A	N.A	N.A	N.A	N.A	
September	N.A	N.A	N.A.	0.2	0.0	0.2	N.A	N.A	N.A	N.A	N.A	N.A	
October *	N.A	N.A	N.A.	2.8	0.0	2.8	N.A	N.A	N.A	N.A	N.A	N.A	16.2

PDS : Public Distribution System. OWS : Other Welfare Schemes. OMS : Open Market Sales. N.A. : Not Available. @ : Procurement up to October 10 and off-take up to end July.

* : Procurement up to October 10, 2006.

Notes : 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.

stock norms of 17.1 mt, the stocks of rice (9.9 mt) were marginally above the buffer stock norms of 9.8 mt.

INDUSTRIAL PERFORMANCE

Industrial production, in its fifth year of expansion, remained buoyant during the first five months of 2006-07. During April-August 2006, industrial production accelerated to 10.6 per cent - the highest growth recorded in April-August period since 1995-96 - from 8.7 per cent in the same period of 2005 (Chart 2). The manufacturing sector with a growth of 11.8 per cent, also the highest since 1996-97, continued to be the main driver of the industrial activity. Mining sector recorded modest improvement, benefiting from higher production of crude oil. Higher output of crude oil reflected the recovery from the setback to production following the outbreak of fire at Mumbai High in July 2005. Electricity sector recorded subdued growth, which could be attributed partly to shortage of gas in gas-based power stations.

The manufacturing sector performance was broad-based with 14 out of 17 industry groups, at the two digit manufacturing level, recording positive growth (Table 6). Chemicals, machinery, basic metals, transport equipment and cement have led the manufacturing growth during 2006-07 so far.

According to the use-based classification, all sectors, barring consumer non-durable goods sector, recorded higher growth (Table 7). Capital goods recorded an impressive growth of 18.6 per cent during April-August 2006 reflecting strong investment demand in the economy. This is the highest growth for the period April-August since 1996-97.

Table 6: Growth Rate of Manufacturing Groups

Industry Group	Weight in the IIP	Growth Rate		Weighted Contribution #	
		April-August		April-August	
		2005	2006 P	2005	2006 P
1	2	3	4	5	6
1 Machinery and equipment other than transport equipment	9.6	9.8	14.8	15.7	19.4
2 Chemicals and chemical products except products of petroleum & coal	14.0	12.9	10.5	27.2	18.5
3 Basic metal and alloy industries	7.5	16.8	19.0	14.6	14.4
4 Transport equipment and parts	4.0	11.1	18.6	7.5	10.4
5 Other manufacturing industries	2.6	17.5	26.9	5.8	7.8
6 Non-metallic mineral products	4.4	8.8	12.7	6.0	7.0
7 Beverages, tobacco and related products	2.4	17.0	13.4	8.7	6.0
8 Rubber, plastic, petroleum and coal products	5.7	3.9	9.8	2.8	5.4
9 Textile products (including wearing apparel)	2.5	23.8	16.8	7.7	5.0
10 Cotton textiles	5.5	10.9	9.7	4.8	3.5
11 Paper and paper products and printing, publishing and allied activities	2.7	7.3	7.7	2.7	2.3
12 Wool, silk and man-made fibre textiles	2.3	-1.8	4.3	-0.7	1.2
13 Metal products and parts (except machinery and equipment)	2.8	-2.7	2.7	-0.8	0.6
14 Food products	9.1	-2.9	1.0	-2.4	0.6
15 Jute and other vegetable fibre textiles (except cotton)	0.6	2.7	-0.5	0.1	0.0
16 Leather and leather & fur products	1.1	4.5	-8.3	0.5	-0.7
17 Wood and wood products, furniture & fixtures	2.7	-1.4	-13.2	-0.2	-1.3
Manufacturing - Total	79.4	9.6	11.8	100.0	100.0

P : Provisional. #: Figures may not add up to 100 due to rounding off.

Source : Central Statistical Organisation.

Higher production of machinery and transport equipments contributed to high growth in capital goods sector. While

Chart 2 : Growth in the Index of Industrial Production

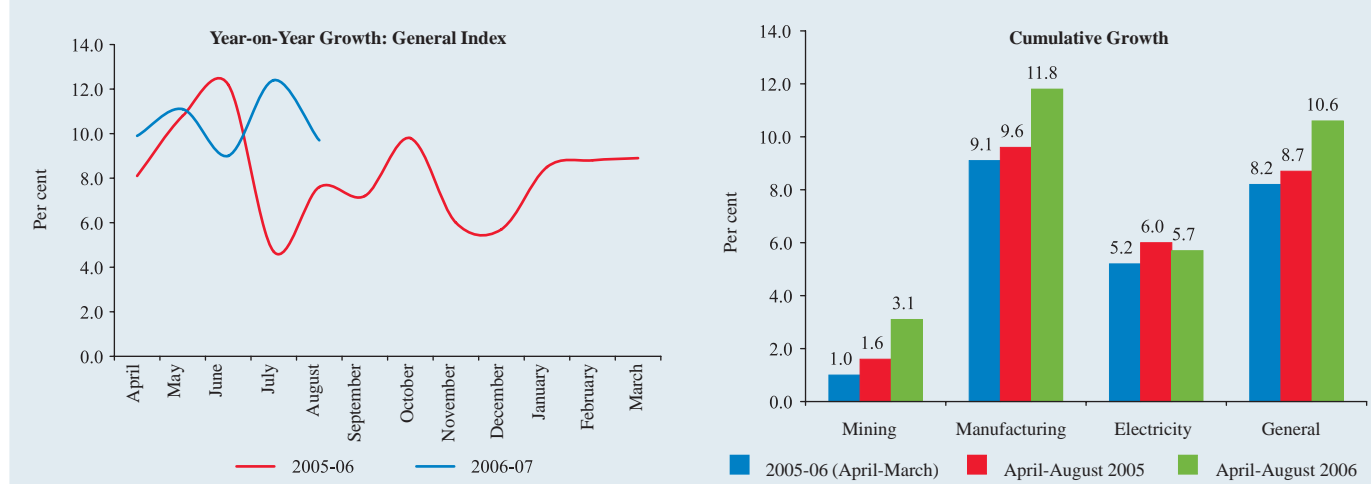


Table 7: Index of Industrial Production: Use-Based Classification of Industries

(Per cent)

Industry Group	Weight in the IIP	Growth Rate		Weighted Contribution#	
		April-August		April-August	
		2005	2006 P	2005	2006 P
1	2	3	4	5	6
Basic Goods	35.6	6.9	8.3	25.2	24.1
Capital Goods	9.3	13.8	18.6	15.5	17.8
Intermediate Goods	26.5	3.5	9.5	11.7	24.4
Consumer Goods (a+b)	28.7	13.7	11.3	48.1	33.9
a) Consumer Durables	5.4	13.0	16.6	11.7	12.7
b) Consumer Non-durables	23.3	13.9	9.5	36.3	21.2
General	100.0	8.7	10.6	100.0	100.0

P : Provisional. # : Figures may not add up to 100 due to rounding off.

Source : Central Statistical Organisation.

acceleration in basic goods sector benefited from higher production of basic chemicals, that in intermediate goods sector was facilitated by industries such as chemicals, rubber, plastic and petroleum products. Growth in consumer non-durables goods sector decelerated, partly attributable to the high base and negative growth in food products such as wheat flour/maida, milk powder, and edible oils.

Infrastructure

The infrastructure sector witnessed some improvement during April-August 2006 (growth of 6.7 per cent as compared with 6.1 per cent in the comparable period of the preceding year) on account of better performance of crude petroleum and petroleum refinery products (Chart 3). The

turnaround in crude oil production, as noted earlier, resulted from restoration of production of crude oil in plants of ONGC at Mumbai high offshore. Double-digit growth in the petroleum refinery products could be attributed to base effect and increased exports.

SERVICES SECTOR

Services sector with double-digit growth (10.5 per cent in April-June 2006 on top of 10.1 per cent in April-June 2005) remained the leading sector of the Indian economy (Table 1 and Chart 4). Services sector now accounts for more than 60 per cent of overall GDP. Services sector activity continued to be led by the sub-sector ‘trade, hotel, restaurants, transport, storage and communication’ which recorded growth of 13.2 per cent in the first quarter of

Chart 4 : Services Sector Growth

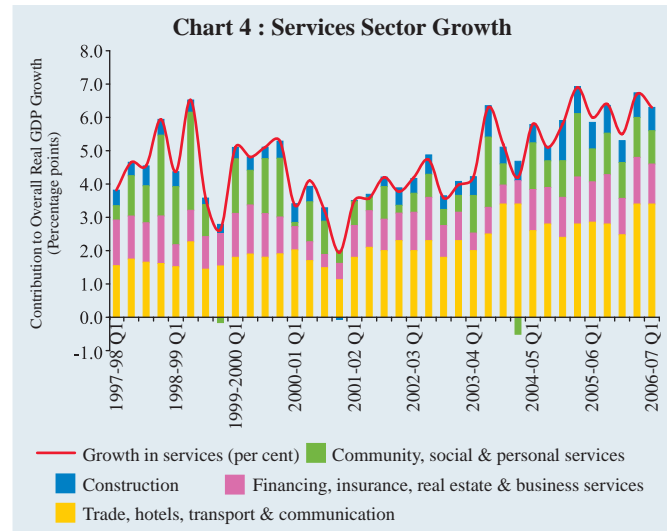


Chart 3 : Growth in Infrastructure Industries

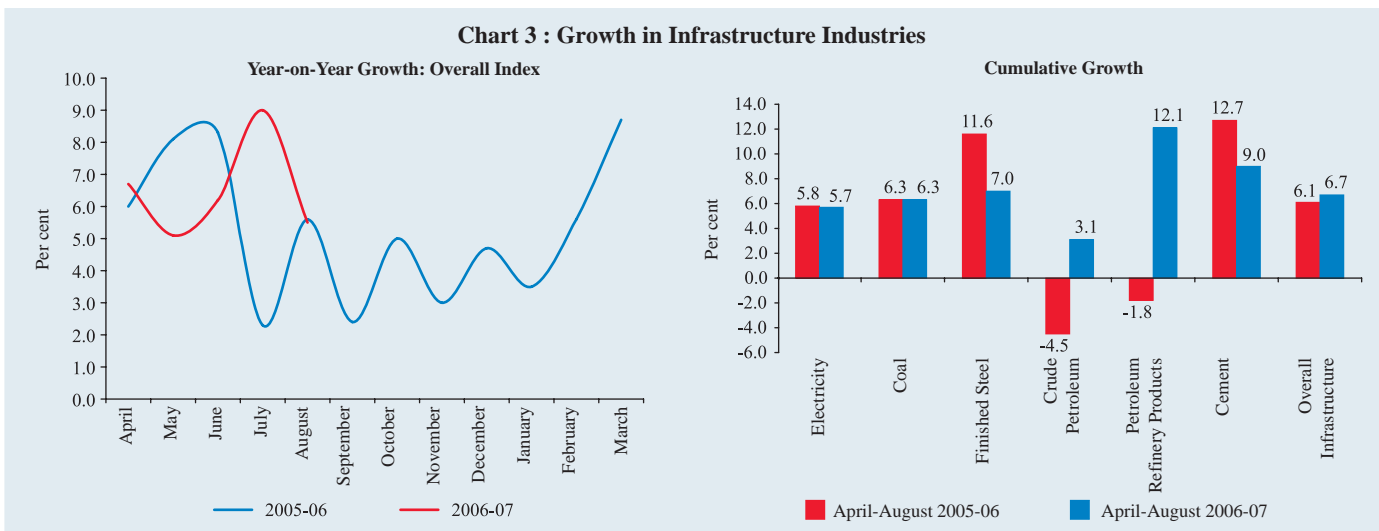


Table 8: Indicators of Services Sector Activity

(Growth rates in per cent)

Sub-sector	2004-05	2005-06	April-July	
			2005	2006
1	2	3	4	5
Tourist arrivals	23.7	11.7	13.0 *	13.8 *
Commercial vehicles production	28.6	10.6	8.2 \$	34.9 \$
Railway revenue earning freight traffic	8.1	10.7	10.7	10.3
New cell phone connections	10.4	89.4	31.5	120.2
Exports of software services	34.4	37.2	33.1 #	25.1 #
Cargo handled at major ports	11.3	10.3	15.7	6.2
Civil aviation				
a) Export cargo handled	12.4	7.3	9.1	7.8
b) Import cargo handled	24.2	15.8	7.8	23.4
c) Passengers handled at international terminals	14.0	12.8	12.5	12.9
d) Passengers handled at domestic terminals	23.6	27.1	20.4	41.3
Roads: Upgradation of Highways	16.1	-23.4	-0.6	-37.6
Cement	6.6	12.3	12.7 \$	9.0 \$
Steel	8.4	8.0	11.6 \$	7.0 \$
Aggregate deposits	11.9	22.3	6.5 @	8.8 @
Non-food credit	31.6	38.4	11.0 @	9.8 @
Central Government expenditure	9.4	9.4	11.2 \$	17.4 \$

* : April-September. \$: April-August. # : April-June.

@ : Up to October 13. Data pertain to scheduled commercial banks.

2006-07, contributing nearly 38 per cent to overall real GDP growth of 8.9 per cent during the quarter. Revenue earning freight of the railways, new cell phone connections and tourist arrivals continued to record strong growth (Table 8). Substantial activity was witnessed in import cargo handled by civil aviation and passengers handled at domestic and international airports. Acceleration in growth of bank deposits and sustained high growth in non-food credit and exports of software services buoyed up the sub-sector 'financing, insurance, real estate and business services' which recorded growth of 8.9 per cent during April-June 2006 (8.8 per cent a year ago). Construction continued to record strong growth, *albeit* with some deceleration (see Table 1).

BUSINESS EXPECTATIONS SURVEYS

Various business confidence surveys, after recording steady increase in the previous quarters, indicate a mixed assessment of current economic conditions as well as in expectations in the near term (Table 9). According to the FICCI survey (conducted during July-August 2006), the business confidence index declined over the previous quarter on the back of rising oil prices and hardening of interest rates. Notwithstanding the decline in the overall index during the quarter, the FICCI's expectations index remained in the "significantly optimistic" zone. A majority of 58 per cent of the respondents felt that the current overall economic conditions were 'moderately to substantially better' *vis-a-vis*

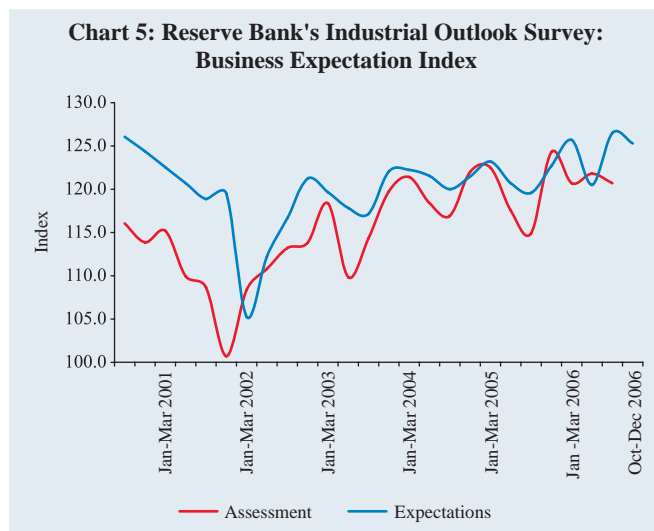
Table 9: Business Expectations Surveys

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	2006 (October-December)	Business Optimism Index	-5.0	14.1
NCAER	2006 (July-December)	Business Confidence Index	-1.7	-8.0
FICCI	2006 (July-December)	Business Confidence Index	-5.7	-8.2
RBI	2006 (October-December)	Business Expectation Index	2.1	-0.9

the preceding six months. This proportion was, however, lower than that of 85 per cent in the previous survey. The services sector continued to be the most upbeat segment among the industry sectors in the survey. On the other hand, according to the Dun & Bradstreet's survey conducted in early October 2006, business confidence for the period October-December 2006 was higher than the previous quarter. All the six optimism indices comprising the survey, viz, sales, net profits, selling prices, new orders, inventory levels and employees were higher than the preceding quarter.

According to the Reserve Bank's latest Industrial Outlook Survey (conducted during July-August 2006), the Business Expectations Index for October-December 2006 quarter declined by 0.9 per cent over the previous quarter's level (Chart 5). The level of confidence was, however, higher than that during the corresponding quarter a year ago. The assessment about the overall business situation for July-September 2006 also showed a marginal decline in the level of confidence over the previous quarter. The level of confidence was, however, higher than in the same quarter a year ago.

Responses to the survey suggest a marginal decline in expectations for the overall business situation, financial



situation, exports, and profit margins during the quarter October-December 2006 *vis-à-vis* July-September 2006. On the other hand, production, order books, capacity utilisation and employment are expected to show an improvement during October-December 2006. The working capital finance requirement is expected to increase, while the availability of finance is expected to show some decline (Table 10).

Table 10: Net Response on 'A Quarter Ahead' Expectations About the Industrial Performance

(Per cent)

Parameter	Response	Oct-Dec. 2005 (961)	Jan-March 2006 (934)	April-June 2006 (1086)	July-Sept. 2006 (1073)	Oct-Dec. 2006 (1138)
1	2	3	4	5	6	7
1 Overall business situation	Better	51.3	49.8	46.3	53.1	51.8
2 Financial situation	Better	42.3	40.7	40.4	43.4	41.9
3 Working capital finance requirement	Increase	32.7	31.9	30.6	32.7	35.4
4 Availability of finance	Improve	34.1	34.1	33.8	35.0	33.4
5 Production	Increase	46.9	46.3	42.5	49.4	49.7
6 Order books	Increase	43.7	41.0	39.1	45.2	46.3
7 Cost of raw material	Decrease	-30.0	-35.9	-37.3	-45.8	-49.2
8 Inventory of raw material	Below average	-6.9	-6.8	-5.0	-6.3	-6.1
9 Inventory of finished goods	Below average	-3.3	-4.7	-4.5	-2.6	-4.9
10 Capacity utilisation	Increase	31.1	29.6	24.8	32.1	33.2
11 Level of capacity utilisation	Above normal	10.9	11.4	9.4	11.8	10.9
12 Assessment of the production capacity	More than adequate	5.0	4.9	4.1	3.6	5.1
13 Employment in the company	Increase	12.7	13.3	14.5	16.4	17.9
14 Exports, if applicable	Increase	33.3	31.8	31.0	38.3	34.2
15 Imports, if any	Increase	19.2	20.8	22.7	23.8	23.4
16 Selling prices are expected to	Increase	7.8	10.8	12.4	16.6	16.8
17 If increase expected in selling prices	Increase at lower rate	16.6	16.3	12.0	10.5	14.5
18 Profit margin	Increase	9.6	12.6	9.3	11.1	9.2

Note: 1. Figures in parentheses represent number of companies included in the results.

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*.

Table 11: Projections of Real Gross Domestic Product for India by Various Agencies: 2006-07

Agency	Growth Projections for 2006-07 (per cent)				Month of Projection
	Overall Growth	Agriculture	Industry	Services	
1	2	3	4	5	6
ADB a)	7.6	–	–	–	April 2006
ADB b)	7.8	–	–	–	September 2006
CDE-DSE a)	7.7	2.4	9.5	9.2	May 2006
CDE-DSE b)	8.0	2.4	9.7	9.8	October 2006
CII a)	Around 8.0	–	–	–	June 2006
CII b)	8.0	3.0	8.5	9.6	September 2006
EAC	7.9	–	–	–	September 2006
ESCAP	7.9	–	–	–	March 2006
ICRA a)	7.4-8.2	2.0	8.2-9.7	9.1-9.7	January 2006
ICRA b)	8.1	1.0	10.8	9.5	July 2006
IMF a)	7.3 @	–	–	–	April 2006
IMF b)	8.3 @	–	–	–	September 2006
NCAER	7.9	–	–	–	August 2006
Reserve Bank of India	7.5-8.0	–	–	–	April 2006/July 2006

– : Not Available. @ : Calendar year 2006.

ADB : Asian Development Bank.

CDE-DSE : Centre for Development Economics - Delhi School of Economics.

CII : Confederation of Indian Industry.

EAC : Economic Advisory Council.

ESCAP : Economic and Social Commission for Asia and the Pacific.

IMF : International Monetary Fund.

NCAER : National Council of Applied Economic Research.

ICRA : Investment Information and Credit Rating Agency of India.

Although some of the surveys show a dip in business confidence and expectations, the buoyancy in manufacturing and services sector activities coupled with the recovery in domestic stock markets and positive

investment climate suggest that the recent growth momentum in the Indian economy is likely to be maintained in 2006-07, as has also been projected by different agencies (Table 11).