

*Macroeconomic and Monetary Developments First Quarter Review 2007-08**

I. The Real Economy

The Indian economy continued to record robust growth in 2006-07 for the fourth successive year, buoyed by the sustained momentum in the services and manufacturing sectors. The latest estimates released by the Central Statistical Organisation (CSO) in May 2007 revised real GDP growth upwards to 9.4 per cent during 2006-07 from 9.2 per cent in the advance estimates (released in January 2007) (Table 1 and Chart 1). The upward revision was mainly due to manufacturing (12.3 per cent from the earlier estimate of 11.3 per cent) and construction (10.7 per cent from 9.4 per cent), partly offset by downward revision in financing, insurance, real estate and business services (10.6 per cent from 11.1 per cent). Real GDP growth averaged 8.6 per cent per annum during 2003-04 to 2006-07 and 7.6 per cent per annum for the Tenth Plan period (2002-03 to 2006-07). Per capita income growth averaged 7.1 per cent per annum during the last four years (2003-04 to 2006-07), over twice the average growth of 3.4 per cent recorded during the 1980s and the 1990s.

Against the backdrop of sustained buoyancy in 2006-07, this chapter presents the developments in the real economy during the first quarter of 2007-08.

Agricultural Situation

According to the revised forecast of the India Meteorological Department (IMD) released in June 2007, the rainfall during the 2007 South-West monsoon season (June-September) is likely to be 93 per cent of the long-period average, with a model error of +/- 4 per cent. Monsoon advanced over Kerala on May 28, 2007, four days earlier

* Issued with the First Quarter Review of the Annual Statement on Monetary Policy for 2007-08.

Table 1: Growth Rates of Real GDP

Sector	2000-01 to 2006-07 (Average)	2004-05	2005-06*	2006-07#	(Per cent)							
					2005-06 *				2006-07 #			
					Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1	2	3	4	5	6	7	8	9	10	11	12	13
1. Agriculture and Allied Activities	2.5	0.0 (20.2)	6.0 (19.7)	2.7 (18.5)	4.0	4.0	8.7	6.2	2.8	2.9	1.6	3.8
2. Industry	7.0	8.4 (19.6)	8.0 (19.4)	11.0 (19.7)	9.8	6.6	7.2	8.6	10.6	11.3	10.8	11.2
2.1 Mining and Quarrying	4.6	7.5	3.6	5.1	6.1	0.1	2.7	5.2	3.7	3.9	5.5	7.1
2.2 Manufacturing	7.7	8.7	9.1	12.3	10.7	8.1	8.2	9.4	12.3	12.7	11.8	12.4
2.3 Electricity, Gas and Water Supply	4.8	7.5	5.3	7.4	7.4	2.6	5.0	6.1	5.8	8.1	9.1	6.9
3. Services	8.6	10.0 (60.2)	10.3 (60.9)	11.0 (61.8)	9.5	9.5	10.3	11.6	11.6	11.7	10.9	10.0
3.1 Trade, Hotels, Restaurants, Transport, Storage and Communication	10.3	10.9	10.4	13.0	10.2	9.5	10.0	11.8	12.4	14.2	13.1	12.4
3.2 Financing, Insurance, Real Estate and Business Services	7.9	8.7	10.9	10.6	8.9	10.6	9.8	14.2	10.8	11.1	11.2	9.3
3.3 Community, Social and Personal services	6.0	7.9	7.7	7.8	7.5	7.9	8.3	7.2	11.3	8.3	6.7	5.7
3.4 Construction	9.9	14.1	14.2	10.7	12.7	11.3	16.6	16.1	10.5	11.1	10.0	11.2
4. Real GDP at Factor Cost	6.9 (100)	7.5 (100)	9.0 (100)	9.4 (100)	8.4	8.0	9.3	10.0	9.6	10.2	8.7	9.1

Memo:

(Amount in Rupees crore)

a) Real GDP at factor cost
(1999-2000 prices)

b) GDP at current market prices

* : Quick Estimates.

: Revised Estimates.

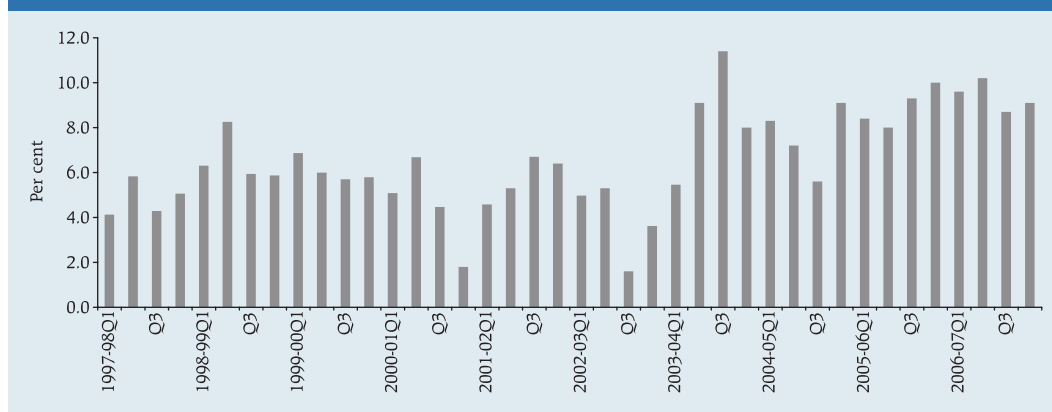
Note : Figures in parentheses denote shares in real GDP.

Source : Central Statistical Organisation.

than the normal date of June 1. By May 29, 2007 monsoon covered the entire coastal

Karnataka and some parts of south interior Karnataka and south Tamil Nadu. After this,

Chart 1: Real GDP - Growth Rate



there was a hiatus in the advancement of monsoon for about one week. The monsoon covered the entire country by July 4, 2007. The cumulative rainfall during the 2007 season (up to July 25) was 4 per cent above normal as compared with 14 per cent below normal during the corresponding period of the previous year. Of the 36 meteorological sub-divisions, cumulative rainfall was deficient/scanty in 7 sub-divisions (14 sub-divisions during last year) (Table 2). As on July 19, 2007, the total live water storage in the 78 major reservoirs¹ was 54 per cent of the full reservoir level (FRL), higher than that of 38 per cent last year and the average of 28 per cent for the past ten years.

Kharif sowing is progressing with the advent of the South-West monsoon in various States. As of July 20, 2007, total area sown was 1.7 per cent higher than that in the corresponding period of 2006. Area covered under rice, coarse cereals, oilseeds and cotton increased while that under sugarcane and pulses declined (Table 3).

Table 3: Progress of Area under <i>Kharif</i> Crops – 2007-08				
(Million hectares)				
Crop	Normal Area	Area Coverage (as on July 20)		
		2006	2007	Variation
1	2	3	4	5
Rice	38.2	11.5	11.7	0.2
Coarse Cereals	22.9	13.7	14.4	0.7
of which:				
Bajra	9.4	4.7	5.7	1.0
Jowar	4.4	2.6	2.4	-0.2
Maize	6.2	5.7	5.5	-0.2
Total Pulses	10.9	4.8	4.0	-0.8
Total Oilseeds	15.4	11.7	12.2	0.5
of which:				
Groundnut	5.5	3.2	3.4	0.2
Soyabean	6.6	6.7	7.2	0.5
Sugarcane	4.2	4.8	4.4	-0.4
Cotton	8.3	6.4	7.2	0.8
All Crops	100.7	53.8	54.7	0.9

Source : Ministry of Agriculture, Government of India.

According to the Fourth Advance Estimates, the foodgrains production during 2006-07 was 216.1 million tonnes, an increase of 3.6 per cent over the previous year, led by higher production of wheat. Amongst the non-foodgrains, sugarcane and cotton reached new peaks, while production of oilseeds was lower (Table 4).

Table 2: Spatial Distribution of Rainfall - South-West Monsoon (June-September)					
Year	Cumulative Rainfall: Above(+)/Below (-) Normal (per cent)	Number of Sub-Divisions			
		Excess Rainfall	Normal Rainfall	Deficient Rainfall	Scanty/ No Rain
1	2	3	4	5	6
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
2006@	-14	1	21	14	0
2007@	4	14	15	7	0

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. @ : Up to July 25.

Source : India Meteorological Department.

¹ These 78 reservoirs have FRL of 134.2 billion cubic metres and account for around 64 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 S
1	2	3	4	5	6	7
Rice	71.8	88.5	83.1	91.8	92.8	92.8
<i>Kharif</i>	63.1	78.6	72.2	78.3	80.8	80.1
<i>Rabi</i>	8.7	9.9	10.9	13.5	12.0	12.7
Wheat	65.8	72.2	68.6	69.4	75.5	74.9
Coarse Cereals	26.1	37.6	33.5	34.1	36.5	34.3
<i>Kharif</i>	20.0	32.2	26.4	26.7	28.7	25.7
<i>Rabi</i>	6.1	5.4	7.1	7.3	7.8	8.6
Pulses	11.1	14.9	13.1	13.4	15.2	14.2
<i>Kharif</i>	4.2	6.2	4.7	4.9	5.8	4.7
<i>Rabi</i>	7.0	8.7	8.4	8.5	9.4	9.5
Total Foodgrains	174.8	213.2	198.4	208.6	220.0	216.1
<i>Kharif</i>	87.2	117.0	103.3	109.9	115.3	110.5
<i>Rabi</i>	87.6	96.2	95.1	98.7	104.8	105.6
Total Oilseeds	14.8	25.2	24.4	28.0	29.4	23.9
<i>Kharif</i>	9.0	16.7	14.1	16.8	18.1	13.9
<i>Rabi</i>	5.9	8.5	10.2	11.2	11.3	10.0
Sugarcane	287.4	233.9	237.1	281.2	270.0	345.3
Cotton #	8.6	13.7	16.4	18.5	18.5	22.7
Jute and Mesta ##	11.3	11.2	10.3	10.8	11.3	11.3

T : Target. A : Achievement. S : Fourth Advance Estimates as on July 19, 2007.

: 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 2007-08 (up to July 19) aggregated 15.3 million tonnes (mt), 4.1 per cent higher than that in the corresponding period of the preceding year. This was mainly on account of 20.2 per cent increase in wheat procurement to 11.1 mt (Table 5). The offtake of foodgrains during 2007-08 (up to April 30, 2007) was 2.8 mt, 1.4 per cent lower than that in the corresponding period of the previous year. The total stock of foodgrains with the Food Corporation of India (FCI) and other Government agencies increased to 25.1 mt as on May 1, 2007 from 22.8 mt a year ago. The stocks were higher

than the buffer stock norms (16.2 mt as on April 1, 2007). The stocks of rice as well as wheat exceeded the respective buffer stock norms of 12.2 mt and 4.0 mt.

Industrial Performance

Industrial production remained robust during April-May 2007, recording a year-on-year expansion of 11.7 per cent. The manufacturing sector remained the key driver of industrial activity, with growth of 12.7 per cent (Chart 2 and Table 6). While growth of the mining sector remained subdued, that of the electricity sector was higher than that during April-May 2006.

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	24.0	16.8	40.8	29.7	10.6	0.2	1.0	41.5	18.0	
2005-06	13.3	4.1	18.0	26.9	14.8	41.7	31.4	9.8	1.1	0.0	42.2	16.6	
2006-07	13.7	2.0	16.6	26.7	9.2	35.9	31.6	5.1	0.0	0.0	36.8	17.8	
2006-07@				5.5	9.2	14.7	2.5	0.3	0.0	0.0	2.8		
2007-08@				4.2	11.1	15.3	2.5	0.2	0.0	0.0	2.8		
2006													
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	0.3	0.0	0.0	2.7	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	2.7	0.5	0.0	0.0	3.1	19.1	
March	14.0	5.1	19.1	1.2	0.0	1.2	2.7	0.5	0.0	0.0	3.2	17.8	
April	13.2	4.6	17.8	0.9	7.9	8.7	2.5	0.2	0.0	0.0	2.8	25.1	16.2
May	13.5	11.6	25.1	1.5	2.6	4.0	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	
June	N.A.	N.A.	N.A.	1.3	0.7	2.0	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	
July*	N.A.	N.A.	N.A.	0.5	0.0	0.5	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	26.9

PDS : Public Distribution System. OWS : Other Welfare Schemes. OMS : Open Market Sales. N.A. : Not Available.
 @ : Procurement up to July 19 and offtake up to April 30. * : Procurement up to July 19.
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.

The manufacturing sector's robust performance was largely contributed by 'machinery and equipment', 'food products', 'basic metal and alloy industries'

Chart 2: Industrial Production

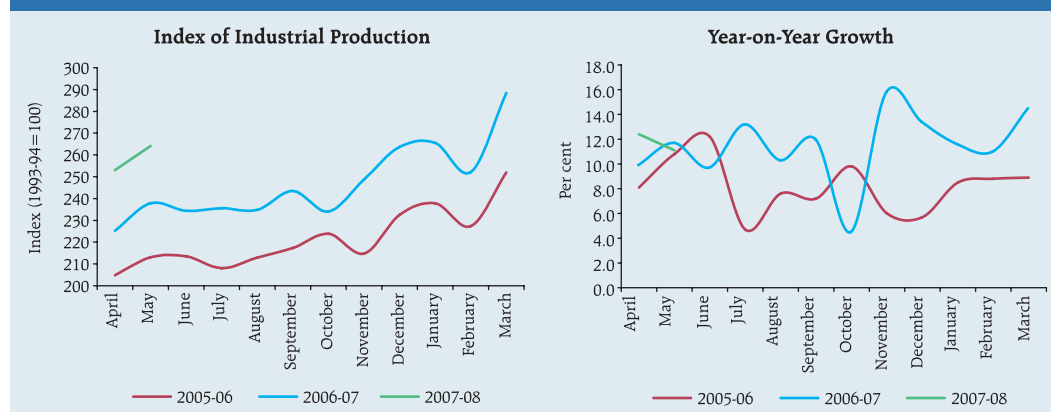


Table 6: Index of Industrial Production - Sectoral and Use-Based Classification of Industries

(Per cent)							
Industry Group	Weight in the IIP	Growth Rate			Weighted Contribution #		
		April-March 2006-07	April-May		April-March 2006-07	April-May	
			2006-07	2007-08 P		2006-07	2007-08 P
1	2	3	4	5	6	7	8
Sectoral							
Mining	10.5	5.3	3.2	3.0	3.4	2.2	1.9
Manufacturing	79.4	12.5	12.2	12.7	91.1	93.2	91.4
Electricity	10.2	7.2	5.5	9.0	5.5	4.7	6.8
Use-Based							
Basic Goods	35.6	10.3	9.2	9.4	27.2	26.4	24.6
Capital Goods	9.3	18.3	20.6	18.6	17.6	18.3	16.7
Intermediate Goods	26.5	11.9	10.5	10.5	26.9	26.2	24.1
Consumer Goods (a+ b)	28.7	10.1	9.7	12.7	28.7	29.2	35.0
a) Consumer Durables	5.4	9.1	12.5	3.8	6.7	9.5	2.7
b) Consumer Non-durables	23.3	10.5	8.8	15.9	21.8	19.7	32.3
General	100.0	11.5	10.8	11.7	100.0	100.0	100.0

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

Source : Central Statistical Organisation.

and 'chemicals and chemical products' products' and 'wood and wood products' (Table 7). The higher growth in 'food products' could be partly attributed to the base effect.

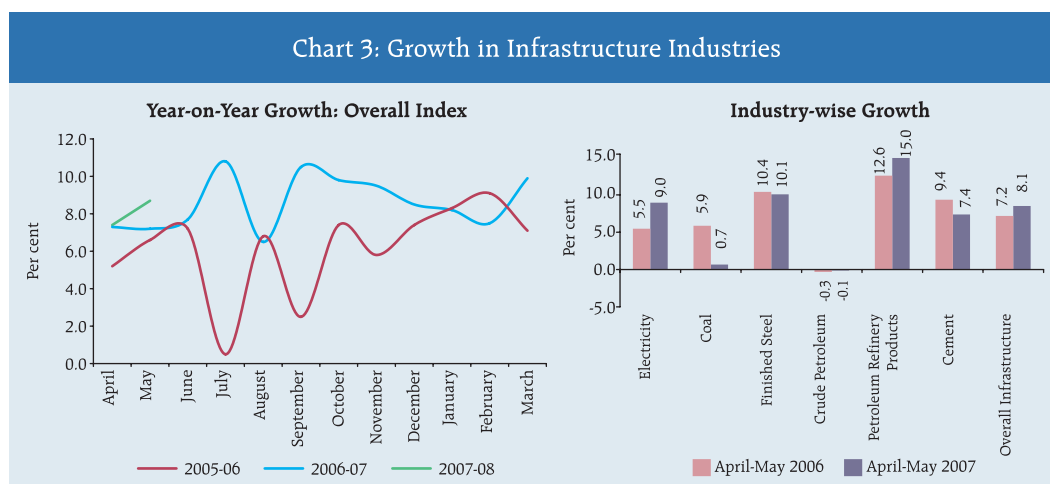
Table 7: Growth of Manufacturing Groups

(Per cent)							
Industry Group	Weight in the IIP	Growth Rate			Weighted Contribution #		
		April-March 2006-07	April-May		April-March 2006-07	April-May	
			2006-07	2007-08P		2006-07	2007-08P
1	2	3	4	5	6	7	8
1. Food products	9.1	8.7	-6.8	39.8	5.8	-4.4	20.6
2. Machinery and equipment other than transport equipment	9.6	14.2	11.4	19.6	18.3	14.3	23.3
3. Chemicals and chemical products except products of petroleum and coal	14.0	9.4	14.6	7.2	14.6	24.5	11.7
4. Basic metal and alloy industries	7.5	22.9	21.4	19.5	16.6	15.4	14.5
5. Wood and wood products, furniture and fixtures	2.7	29.1	-14.1	112.2	2.4	-1.4	8.1
6. Rubber, plastic, petroleum and coal products	5.7	12.7	8.3	11.5	6.3	4.5	5.7
7. Non-metallic mineral products	4.4	12.9	13.3	7.0	6.6	7.3	3.7
8. Beverages, tobacco and related products	2.4	11.3	14.3	6.4	4.7	6.3	2.7
9. Cotton textiles	5.5	14.8	11.7	8.2	4.8	4.1	2.7
10. Transport equipment and parts	4.0	15.0	20.0	2.3	8.2	10.7	1.3
11. Textile products (including wearing apparel)	2.5	11.5	15.3	11.1	3.2	4.5	3.2
12. Leather and leather and fur products	1.1	0.4	-13.3	8.4	0.0	-1.2	0.5
13. Metal products and parts (except machinery and equipment)	2.8	11.4	-3.4	7.4	2.3	-0.7	1.3
14. Jute and other vegetable fibre textiles (except cotton)	0.6	-15.8	-2.7	27.8	-0.4	-0.1	0.6
15. Wool, silk and man-made fibre textiles	2.3	8.1	12.5	6.2	2.0	3.1	1.5
16. Paper and paper products and printing, publishing and allied activities	2.7	8.4	13.0	0.3	2.2	3.5	0.1
17. Other manufacturing industries	2.6	7.7	35.9	-5.2	2.4	9.5	-1.6
Manufacturing - Total	79.4	12.5	12.2	12.7	100.0	100.0	100.0

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

Source : Central Statistical Organisation.

Chart 3: Growth in Infrastructure Industries



In terms of use-based classification, the consumer goods sector witnessed strong growth during April-May 2007 on the back of acceleration in the growth of non-durables sub-sector, which in turn, was due to higher production of food products, cigarettes and non-cotton cloth (Table 6). The intermediate goods sector recorded a growth of 10.5 per cent, the same as in April-May 2006, aided by higher production of jute and other vegetable fibre, wood and wood products, and metal products and parts. The basic goods and capital goods sectors continued to record robust growth, *albeit*, some deceleration was observed in the latter. While the production of basic goods was led by iron and steel items, electricity, and high speed diesel, that of capital goods benefited from growth in agricultural implements, boilers, diesel engines, insulated cable wires, and computer systems and their peripherals.

Infrastructure

The infrastructure sector recorded higher growth of 8.1 per cent during April-May 2007 than a year ago (7.2 per cent) mainly on account of improvement in electricity and

petroleum refinery products (Chart 3). Higher plant load factor (PLF) in thermal power plants and higher generation of hydro-electricity propelled electricity growth. Higher export demand and higher capacity utilisation led to higher production of petroleum refinery products. Deceleration in the growth of the steel and cement sectors could be attributed, *inter alia*, to the base effect as well as capacity constraints.

Services Sector

The services sector continued to record double digit growth during 2006-07 – the latest period for which data are available – for the third year in succession. Accelerated growth in ‘trade, hotels, restaurants, transport, storage and communication’ more than offset the deceleration in ‘construction’ (see Table 1). The services sector contributed 71.5 per cent to the overall real GDP growth of 9.4 per cent during 2006-07 (Table 8). The sub-sector ‘trade, hotels, restaurants, transport, storage and communication’ contributed more than a third of the overall real GDP growth, benefiting from strong growth in tourism,

Table 8: Growth in Services Sectors

(Contribution to real GDP growth; percentage points)

Year	Construction	Trade, Hotels, Restaurants, Transport, Storage 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	0.7	3.4	1.5	1.1	6.7
2006-07: Q1	0.7	3.2	1.5	1.6	7.0
2006-07: Q2	0.8	3.7	1.6	1.3	7.4
2006-07: Q3	0.7	3.3	1.4	0.9	6.3
2006-07: Q4	0.8	3.4	1.3	0.8	6.2

railway freight traffic, civil aviation and telecommunications. Robust growth in bank deposits and non-food credit offtake and exports of business process outsourcing and information technology-enabled services helped in sustaining the growth of the sub-sector 'financing, insurance, real estate and business services'.

Growth rates in tourist arrivals, revenue earning freight traffic of the railways, new cell phone connections, export cargo handled by civil aviation, passengers handled by civil aviation, cement and steel have moderated during 2007-08 so far. On the other hand, cargo handled at major ports accelerated *vis-à-vis* the previous year (Table 9).

Table 9: Indicators of Services Sector Activity

(Growth rates in per cent)

Item	2005-06	2006-07	April-May	
			2006	2007
1	2	3	4	5
Tourist arrivals	12.4	13.6	18.6 #	7.2 #
Commercial vehicles production	10.6	33.0	44.9	10.6
Railway revenue earning freight traffic	10.7	9.2	9.4	6.0
New cell phone connections	89.4	85.4	162.8	50.4
Cargo handled at major ports	10.4	9.5	3.7	17.8
Civil aviation				
a) Export cargo handled	7.3	3.6	8.7	1.6
b) Import cargo handled	15.8	19.4	23.6	21.7
c) Passengers handled at international terminals	12.8	12.1	14.1	13.1
d) Passengers handled at domestic terminals	27.1	34.0	47.2	24.4
Cement	12.4	9.1	9.4	7.4
Steel	11.2	10.9	10.4	10.1
Aggregate deposits	18.1	23.7	3.5 @	4.0 @
Non-food credit	31.8	28.4	2.5 @	-0.6 @

: April-June. @ : Up to July 6.

Sources : Ministry of Tourism, Ministry of Commerce and Industry, Ministry of Statistics and Programme Implementation, Reserve Bank of India and Centre for Monitoring Indian Economy (CMIE).

Aggregate Demand

Estimates of expenditure of GDP for 2006-07, which were released for the first time along with the revised estimates of GDP, indicate that growth during 2006-07 was largely domestic demand driven, especially investment. Real gross fixed capital formation (GFCF) rose by 14.6 per cent during 2006-07 as compared with 15.3 per cent during 2005-06. Real GFCF grew at an average of 13.7 per cent per annum during 2003-04 to 2006-07, well-above the average real GDP growth of 8.6 per cent over the same period. Investments in valuables recovered from the negligible growth of the previous year. Final consumption expenditure, both private and government, witnessed some deceleration during 2006-07 (Table 10). Almost one-half of the incremental growth in real GDP during 2006-07 was on account of final consumption demand (55.5 per cent during 2005-06), while around 42 per cent (the same as a year ago) was on account of the

rise in real GFCF. The share of real private final consumption expenditure in total output declined from 58.9 per cent in 2005-06 to 57.2 per cent in 2006-07, while that of real GFCF rose from 26.7 per cent to 27.9 per cent.

Corporate Performance

The corporate sector continued to exhibit robust performance during 2006-07. Data on select non-Government non-financial companies revealed that growth in sales accelerated to 26 per cent during 2006-07 from 17 per cent during 2005-06. Gross profits rose by about 42 per cent during 2006-07, while profits after tax increased by 45 per cent (Table 11). Notwithstanding higher interest payments, the ratio of interest payments to gross profits declined during 2006-07. Profit margins - profits after tax to sales - improved to 10.7 per cent during 2006-07 from 8.7 per cent in the previous year.

Table 10: Disposition of National Income (at 1999-2000 prices)

Item	(Growth rates in per cent)					
	2005-06 QE	2006-07 RE	2006-07 RE			
			Q1	Q2	Q3	Q4
1	2	3	4	5	6	7
1 Total Final Consumption Expenditure	7.2	6.6	11.8	3.7	5.1	6.1
a. Private Final Consumption Expenditure	6.7	6.2	6.5	6.3	6.0	6.0
b. Government Final Consumption Expenditure	9.8	9.0	47.6	-9.7	0.4	6.6
2. Gross Fixed Capital Formation (GFCF)	15.3	14.6	15.8	13.3	15.5	14.1
3. Change in Stocks	69.0	10.2	10.2	10.6	9.7	10.3
4. Valuables	0.4	38.0	38.4	47.1	29.8	37.8
5. Exports	5.9	8.6	10.3	18.9	-1.9	8.7
6. Imports	10.3	11.4	11.7	18.7	4.8	11.3
<i>Memo:</i>						
Real GDP at market prices	9.2	9.4	8.1	10.7	9.0	9.6

QE : Quick Estimates. RE : Revised Estimates.
Source : Central Statistical Organisation.

Table 11: Corporate Financial Performance

(Growth rates in per cent)											
Item				2005-06				2006-07			
	2004-05	2005-06	2006-07*	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4*
1	2	3	4	5	6	7	8	9	10	11	12
Sales	24.1	16.9	26.2	18.5	16.4	13.2	19.5	25.6	29.2	30.3	22.5
Expenditure	23.6	16.4	23.5	18.0	16.3	12.7	18.9	24.6	26.6	26.9	19.5
Depreciation											
Provision	11.2	10.2	15.4	4.4	7.4	10.2	13.2	14.9	16.4	16.8	18.1
Gross Profits	32.5	20.3	41.5	32.0	19.1	21.2	16.6	33.9	45.9	51.8	39.2
Interest Payments	-5.8	1.9	17.4	-13.5	-8.0	4.6	3.8	19.9	18.0	11.9	32.3
Profits after Tax	51.2	24.2	45.2	54.2	27.5	27.0	15.1	34.7	49.4	59.5	39.6
(Per cent)											
Select Ratios											
Gross Profits to Sales	11.9	13.0	15.6	13.1	13.0	12.8	12.7	15.6	15.9	15.8	15.3
Profits After Tax to Sales	7.2	8.7	10.7	8.6	8.5	8.6	8.7	10.6	11.0	11.0	10.6
Interest to Sales	2.6	2.0	2.1	2.2	2.1	2.1	1.7	2.2	2.0	2.0	2.0
Interest to Gross Profits	21.8	15.7	13.3	16.6	16.2	16.2	13.7	13.9	12.8	12.5	13.0
Interest Coverage (Times)	4.6	6.4	7.5	6.0	6.2	6.2	7.3	7.2	7.8	8.0	7.7
(Amount in Rupees crore)											
Memo:											
No of Companies	2,214	2,210	2388	2,355	2,361	2,366	2,415	2,228	2,263	2,258	2,356
Sales	5,49,449	7,74,578	10,41,894	1,94,608	2,12,693	2,19,098	2,49,971	2,34,610	2,51,125	2,60,064	2,94,223
Expenditure	4,77,609	6,66,690	8,72,168	1,66,972	1,83,717	1,88,934	2,18,511	1,95,556	2,09,437	2,16,053	2,48,740
Depreciation											
Provision	22,697	28,883	37,095	7,137	7,617	7,748	8,340	8,449	8,892	9,172	10,338
Gross Profits	65,301	1,00,666	1,62,017	25,577	27,620	28,135	31,652	36,567	40,041	41,169	45,108
Interest Payments	14,268	15,789	21,500	4,241	4,467	4,555	4,348	5,083	5,121	5,162	5,862
Profits After Tax	39,599	67,506	1,11,107	16,726	18,169	18,790	21,634	24,845	27,710	28,698	31,251

* : Provisional.

Notes : 1. Data for 2004-05 are based on audited balance sheets, while those for 2005-06 and 2006-07 are based on the abridged results of the select non-Government non-financial public limited companies.

2. Growth rates are percentage changes in the level for the period under reference over the corresponding period of the previous year for common set of companies.

3. Data for the full year may not add to the quarterly totals due to difference in the number of companies covered in each period.

Business Expectations Surveys

Business confidence surveys conducted by various agencies present a mixed short-term outlook of the economy. According to the survey by the National Council of Applied Economic Research (NCAER) conducted in June 2007, the overall business confidence index (BCI) for July-December 2007 declined by 8.8 per cent over the previous quarter (Table 12). All the four main components of the index, viz., overall economic conditions,

investment climate, financial position of the firms and capacity utilisation registered a fall. Amongst the various industry sectors, the decline in BCI over the previous round was the least (2.8 per cent) for the consumer non-durables sector and the highest (15.6 per cent) for the capital goods sector. The Business Optimism Index of the survey by Dun and Bradstreet for April-June 2007 (conducted in March 2007) recorded an increase of 3.4 per cent over the preceding

Table 12: Business Expectations Surveys

Agency	Business Expectations		Growth over a year ago	Growth over previous round
	Period	Index		
	1	2	3	4
Dun & Bradstreet	April-June 2007	Business Optimism Index	13.3	3.4
NCAER	July-December 2007	Business Confidence Index	-2.7	-8.8
Reserve Bank of India	July-September 2007	Business Expectation Index	-4.3	-3.0

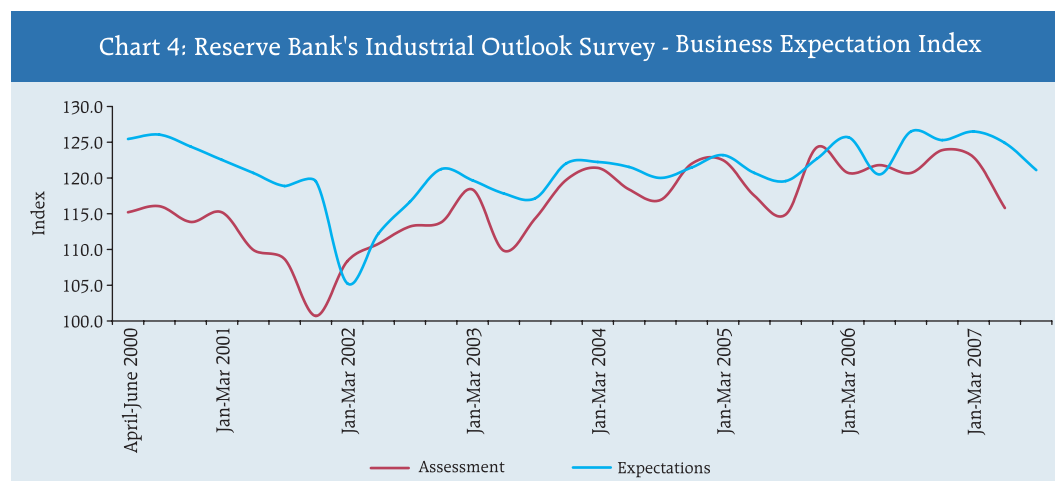
quarter; four of the six optimism indices, viz., volume of sales, net profits, selling prices and new orders, however, declined during the period. The capital goods sector was positive on most parameters, while consumer goods sector was the least optimistic on expectations for April-June 2007.

According to the Reserve Bank's latest Industrial Outlook Survey conducted during June 2007, the business expectations index based on assessment for April-June 2007 declined by 5.8 per cent over the previous quarter (Chart 4). The business expectations index, based on expectations for July-September 2007, declined by 3.0 per cent over the previous quarter. The indices based

on assessment and expectations were lower by 4.9 per cent and 4.3 per cent, respectively, than a year ago.

The decline in the expectations index for July-September 2007 over the previous quarter was on account of fall in net responses for most of the parameters of the survey such as overall business situation, production, working capital finance, order books, capacity utilisation, exports, employment and profit margin. Net responses were, however, higher than the previous quarter in the case of imports and selling prices. For most of the parameters, the maximum proportion of respondents was placed in the category 'no change in

Chart 4: Reserve Bank's Industrial Outlook Survey - Business Expectation Index



expectations over the preceding quarter' (Table 13).

Forecasts by various agencies for real GDP growth in 2007-08 are set out in Table 14.

Table 13: Net Response on 'A Quarter Ahead' Expectations About the Industrial Performance

(Per cent)						
Parameter	Response	July- Sept. 2006	Oct- Dec. 2006	Jan- March 2007	Apr- June 2007	July- Sept 2007
1	2	3	4	5	6	7
1. Overall business situation	Better	53.1 (37.9)	51.8 (41.2)	53.7 (40.7)	51.7 (41.3)	49.5 (41.2)
2. Financial situation	Better	43.4 (49.2)	41.9 (50.6)	44.5 (49.9)	43.8 (49.8)	41.3 (49.8)
3. Working capital finance requirement	Increase	32.7 (59.1)	35.4 (58.3)	36.2 (59.2)	35.3 (59.2)	34.5 (59.2)
4. Availability of finance	Improve	35.0 (56.8)	33.4 (57.8)	36.2 (56.6)	35.2 (57.2)	32.1 (58.6)
5. Production	Increase	49.4 (38.0)	49.7 (39.6)	50.7 (40.1)	47.8 (41.6)	46.6 (41.1)
6. Order books	Increase	45.2 (42.6)	46.3 (42.6)	47.3 (43.1)	45.7 (45.4)	43.6 (46.1)
7. Pending orders, if applicable	Below normal	-0.8 (81.5)	-2.1 (81.7)	-2.7 (82.9)	-2.2 (82.8)	2.2 (82.6)
8. Cost of raw material	Decrease	-45.8 (50.0)	-49.2 (46.4)	-41.7 (51.0)	-42.1 (52.0)	46.0 (49.7)
9. Inventory of raw material	Below average	-6.3 (84.5)	-6.1 (83.5)	-7.1 (83.8)	-7.3 (85.0)	5.4 (85.0)
10. Inventory of finished goods	Below average	-2.6 (84.4)	-4.9 (83.5)	-5.2 (84.5)	-4.4 (85.2)	2.7 (87.1)
11. Capacity utilisation (Main product)	Increase	32.1 (55.7)	33.2 (56.6)	33.3 (57.7)	29.4 (60.4)	27.0 (61.4)
12. Level of capacity utilisation (Compared to the average in the preceding four quarters)	Above normal	11.8 (75.4)	10.9 (76.6)	12.8 (76.4)	11.5 (77.1)	9.4 (76.5)
13. Assessment of the production capacity (With regard to expected demand in the next six months)	More than adequate	3.6 (80.6)	5.1 (79.7)	4.8 (81.8)	4.0 (82.2)	3.0 (82.2)
14. Employment in the company	Increase	16.4 (71.2)	17.9 (73.3)	18.1 (73.7)	18.3 (73.3)	17.4 (73.5)
15. Exports, if applicable	Increase	38.3 (52.8)	34.2 (57.2)	32.6 (57.3)	33.4 (56.8)	32.6 (55.6)
16. Imports, if any	Increase	23.8 (65.6)	23.4 (68.1)	20.8 (68)	21.6 (68.4)	23.7 (68.2)
17. Selling prices are expected to	Increase	16.6 (67.9)	16.8 (68.0)	14.2 (69.2)	15.5 (68.9)	19.0 (67.1)
18. If increase expected in selling prices	Increase at lower rate	10.5 (62.5)	14.5 (67.0)	10.5 (68.1)	12.1 (66.7)	-10.4 (65.0)
19. Profit margin	Increase	11.1 (64.8)	9.2 (60.6)	11.6 (61.7)	9.9 (62.5)	7.5 (62.6)

Memo:

Number of companies included in the results	1,073	1,138	1,115	1,108	1,056
---	-------	-------	-------	-------	-------

Notes : 1. '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*.

2. Figures in parentheses are the percentages of respondents with 'no change over the preceding quarter' as responses.

Source : Industrial Outlook Survey, Reserve Bank of India.

Table 14: Projections of Real GDP for India by various Agencies: 2007-08

(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
Confederation of Indian Industry (CII)	8.5	3.0	9.3	9.9	April 2007
	9.2	3.0	9.4	11.2	July 2007
Centre for Monitoring the Indian Economy (CMIE)	8.5	–	–	–	June 2007
Citigroup	9.3	3.0	10.3	10.9	April 2007
CRISIL	7.9-8.4	3.0	8.4-9.1	9.3-9.9	March/ June 2007
Economic Advisory Council to the Prime Minister	9.0	2.5	10.6	10.4	July 2007
ICRA	8.5	–	–	–	April 2007
Indicus Analytics	8.4	3.0	7.9	9.7	April 2007
International Monetary Fund	8.4 *	–	–	–	April 2007
	9.0 *	–	–	–	July 2007
JP Morgan	8.0	–	–	–	March 2007
Organisation for Economic Cooperation and Development (OECD)	8.5	–	–	–	May 2007
National Council for Applied Economic Research (NCAER)	8.3	2.6	8.7	9.9	April 2007
Reserve Bank of India	Around 8.5	–	–	–	April 2007

– : Not Available. * : Calendar Year.