

## INDIA: MONTHLY ECONOMIC SUMMARY: JUNE 2006

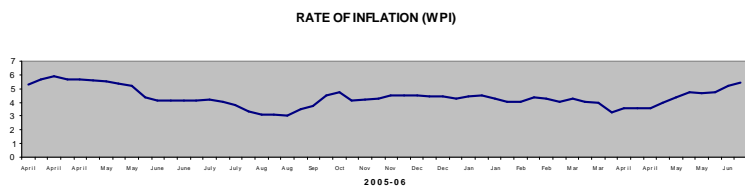
**Eleventh Plan Approach paper circulated among Chief Ministers:** Planning Commission announced on June 15 that the draft Approach Paper for the Eleventh Five Year Plan (2007-2012) is ready. The draft has been circulated among the National Development Council (NDC) Members (Chief Ministers of all the States) for their comments and review. Deputy Chairman Planning Commission is holding a series of meeting with the NDC members for finalizing the Approach paper, the comments of which will be incorporated in the Plan document. The highlights of the draft approach paper are published on their website (<http://planningcommission.nic.in>). The apex plan panel has pitched a GDP growth of 10 per cent which will be made possible by increasing the pace of agricultural and infrastructure expansion. The panel is also of the opinion that the growth of the manufacturing sector is important to ensure more employment.

**Special rehabilitation package for farmers:** The Centre has finalized Rs 40 mn rehabilitation package for farmers in six districts of Vidharba region in Maharashtra where the prevalence of suicide among farmers is high. Major components of the package include a) liberalized rescheduling of loans and fresh credit flow; b) assured irrigation for 0.15 mn hectares; c) substantial allocation for diversification (into horticulture, livestock, dairying, etc.). The rehabilitation package would be implemented and monitored by a State Level Committee with representation from the Centre and at the micro level through districts & panchayats. Similar packages would also be worked out for 25 districts – in Andhra Pradesh, Karnataka and Kerala where too the suicide rates are high.

**Exports up by about 30% in the first two months:** Merchandise exports during April-May 2006 recorded an increase of 28.4% in dollar terms. Exports during May 2006 were provisionally valued at \$9.36 bn, 29.59% higher than the equivalent \$7.22 bn (also provisional) during May 2006. Minister for Commerce and Industry, Kamal Nath said that the continued 20% plus growth in India's merchandise exports for the third consecutive year reflects, inter alia, the growing global competitiveness of the Indian manufacturing sector and the conducive framework of the Foreign Trade Policy. Imports during May 2006 were valued at \$13.19 bn (provisional), an increase of 21.67% over the \$10.84 bn provisionally recorded in May 2006. Oil imports during April-May was valued at \$8.34 bn (prov.), a 31.44% higher than the same period in the previous year (\$6.35 bn). The trade deficit was estimated at \$8.08 bn, an increase on the \$7.21 bn deficit during April-May 2006.

**Inflation continues to rise:** Inflation as measured by the wholesale price index rose to 5.44% on 17 June from 4.74% for the week ended 20 May.

This rise was attributed to the dearer pulses, wheat, fruits, vegetables and some manufactured products. The recent hike in fuel prices eventually showed an upward rise in price of manufactured products. With prices of important primary articles and manufactured goods expected to rise, economists fear that the annual inflation rate could be higher than the 5-5.5 per cent projected by RBI in April this year.



**Premature closure of talks on WTO:** The mini-Ministerial meet of the WTO in Geneva collapsed on 2<sup>nd</sup> July – two days before its scheduled closure – with key member countries failing to arrive at a formula on liberalizing markets for farm and industrial goods. Minister for Commerce & Industry, Kamal Nath walked out of the meet, which received support from the Indian industry chambers. The meeting which was supposed to draw a roadmap for bringing down agricultural subsidies and import tariffs of both agricultural and industrial goods failed as the members showed limited flexibility in moving from their positions held before the start of the meet. This has put a question mark on the feasibility of conclusion of the on-going Doha Round by the end of the year.

**FOREX reserves stable:** Total foreign exchange reserves, including gold and SDR, remained at \$ 161.96 bn for the week ended 23 June 2006.

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