



Update on Indian Economy

May 2006

Economic Snapshot

Contents	Item	Units	April	March	April	(% Change	
			2006	2006	2005	[1] / [2]	[1]/[3]
			[1]	[2]	[3]	[4]	[5]
- Editorial	WPI -Index*	1993-94=100	197.6	197.5	191.4	0.05	3.2
- Capital Market	WPI -						
- Country : U.K.	Inflation**	Per cent	3.2	4.3	5.5	-	-
- Other Markets		Week ended	8.4.06	11.3.06	9.4.05		
- Important Policy Pronouncements	IIP (93-94=100)	2 months lag	227.3	237.3	206.9	-4.21	9.86
			(Feb 06)	(Jan 06)	(Feb 05)		
	INR / US\$	Month End	44.97	44.61	43.65	0.81	3.02
	M3	Rs. '000 Cr.	2747.92	2624.12	2336.95	4.72	17.59
	[i] Agg. Deposits	Rs. '000 Cr.	2320.88	2203.79	1967.34	5.313	17.97
	[ii] Currency	Rs. '000 Cr.	427.04	420.33	369.61	1.60	15.54
		(Outstanding as on)	(14.4.06)	(17.03.06)	(15.4.05)		
	Call Money	% Range	4.00-5.90	3.00-7.25	3.75-5.50	-	-
	(Lendings)	Week ended	14.4.06	17.3.06	15/4/2005		

Source: RBI Weekly Statistical Supplement April 30, 2005 / April 28, 06 & Economic & Political Weekly April 15, 06,

*All Commodities. **Over the year.

Editorial

A) Domestic

According to the data released recently by the Commerce Ministry, exports during 2005-06 (April-March) have just crossed US\$ 100 billion by registering a growth of 24.7% over the level of US\$ 80.6 billion in 2004-05. The imports have grown faster at 31.5% to touch the level of US\$ 140.0 billion in 2005-06. The largest increase has taken place in oil which has risen from US\$ 29.8 billion in 2004-05 to US\$ 43.8 billion in 2005-06, and thereby registered an increase of 46.8%. The increase in oil imports is largely due to spurt in the international prices of crude during major part of the year, followed by a modest increase in the domestic demand for oil. The non-oil imports which totalled US\$ 96.3 billion registered a growth of 25.5% from the level of US\$ 76.7 billion in 2004-05. As a result, trade deficit during 2005-06 reached US\$ 39.6 billion as compared to US\$ 25.9 billion in 2004-05. This order of trade deficit does not seem to be a cause for concern since the foreign exchange reserves of the country inclusive of gold and SDR are high at around US\$ 157 billion on April 21, 2006.

B) International

The Financial Stability Report brought out by IMF in April 2006 indicates that while world financial markets have strengthened, the cyclical challenges emerging from the likelihood of higher interest rates and unwinding of global imbalances still continue. The US current account deficit has risen to about 6.5% of GDP whereas current account

surpluses, particularly, of Asia and oil exporting countries have widened commensurately. This will result in higher inflation if the interest rates are not allowed to rise, and the emerging situation could worsen the credit quality of debtors. This could spark what may be called 'human flu pandemic', and ultimately could result in sharp and deep recession in the near future.

In recent years, the low interest rates and abundant global liquidity has contributed to the solid global economic recovery; banks and firms were able to reduce their cost which allowed corporate earnings to rebound with substantial improvements in their balance sheet. Further, rising housing prices and stock market recovery not only improved the health of banks and firms but also of households and thereby provided financial cushion to them against shocks.

However, in the future, these favourable conditions supportive of growth are not likely to persist. Further the unwinding of global imbalances would mean a slower pace of acquisition of US assets by foreigners. This would in turn weaken the dollar and would push upwards US bond yields. The present military confrontation, major terror attack and significant increase in protectionism in some countries could create an uncertainty which is near to impossible to quantify but their effects could be worse. For these reasons, the report urges governments to pursue sound macroeconomic policies, particularly, prudent fiscal policy, flexible exchange rates and active debt management programmes.

Capital Market Review

During the month of April 2006, the Sensex rose from 11,279.96 on March 31, 2006 to 12,042.56 on April 29, 2006 reflecting an increase of 762.60 points. During the month, the market went into turmoil because of the sudden and large variations and the emergence of the IPO scam in the market. The month also witnessed the trading on April 29 which was a Saturday when generally the market remains closed. Market participants were divided as to the future movement of the index, and one group expected that the correction in the market may come out soon, whereas the other group relying on the quarterly results of the major companies like Infosys and Wipro felt that the FIIs would still continue to invest in the Indian market.

Reliance Petroleum, as subsidiary of Reliance Industries, entered the capital market with the launch of its initial public offer of 1,800,000,000 equity shares of Rs.10 each. This issue was made through the 100 percent book building process. Retail investors could apply with initial payment of Rs.16 per share at the time of application. However, Reliance alone will subscribe to 90 crore shares through the IPO. The issue was opened during April 13-20, 2006 and was subscribed by over 55 times.

On the question of the IPO scam, the Finance Ministry advised Securities & Exchange Board of India (SEBI) to revamp the existing Initial Public Offering (IPO) allotment process. However, SEBI indicated that the present system of IPO allotment does not require any change. It may be mentioned that in a Public Offering through the book

building process 35% of the shares are reserved for retail investors, 15% for HNIs and 50% for QIBs. Thus the stance of SEBI was perhaps the bold one.

Earlier, SEBI has stipulated that in all listed companies, the public shareholding should have minimum of 25% on a continuous basis. However, the companies that have (a) made Public Issues with a minimum of 10% Public Shareholding, (b) more than two crore shares and (c) market capitalization of more than Rs.1000/- crores would be exempted from this Rule. Also the companies that have been referred to the Board for Industrial and Financial Reconstruction (BIFR) would be exempted from the above Rule. The above Rule comes into effect from May 1, 2006. The current sharp rally in stock market in the recent months has made market participants guessing about the future of stock values.

This move by SEBI along with the stipulation that the dividend income is tax free could result in making the big company still bigger and generate huge dividend income for the promoters. It could also result in the inequitable distribution of dividend income, and in case this process continues the Indian equity market could be heading for a bubble because of the continuing growth in the equity market. Because of the sustained rise in the equity market, the performance of the Mutual Fund industry has been excellent which has mobilized Rs.36,465 crore in 2005-06. Further, the value of Assets Under Management (AUM) of MF industry has risen sharply.

	Apr	Mar	Apr	Mar	(% Change)		
	2006	2006	2005	2005	[1] / [2]	[1] / [3]	[2] / [4]
	[1]	[2]	[3]	[4]	[5]	[6]	[7]
Major Indices							
BSE Sensex – Close	11,851.93 (29.04.06)	11,279.96 (31.03.06)	6154.44	6605.04	5.07	92.58	70.78
Monthly High	12,042.56 (29.04.06)	11,307.04 (30.03.06)	6288.44	6618.08	6.50	91.50	70.85
Monthly Low	11,237.23 (13.04.06)	10,508.85 (08.03.06)	6138.47	6468.52	6.93	83.06	62.46
S&P CNX Nifty –Close	3508.35	3402.55	1902.50	1772.85	3.11	84.41	91.93
P/E Ratio : BSE – 30	21.02	20.92	14.40	15.61	0.48	45.97	34.02
FII Investments (Equity+ Debt)							
Inflows – Rs. Cr.	43236	53162.4	16210.3	28443.8	(18.67)	166.72	86.90
Outflows – Rs. Cr.	42414	46731.9	17685.8	20517	(9.24)	139.82	127.77
Net – Rs. Cr.	821.8	6430.4	(1475.5)	7926.6	(87.22)	(155.70)	(18.88)
Cum. Net Inv–US\$ Mn. (Month End)	45443.9	44956.3	35588	35925.7	1.08	27.69	25.14

During the month of April 2006, the cumulative net investment by FIIs rose from US\$ 44.96 billion in end March 2006 to US\$ 45.44 billion in April 2006 and thereby recorded a rise of US\$ 0.48 billion.

The stocks of companies which can be considered for investments even at present high level are : **Reliance Petroleum, Gujarat State Fertilisers & Chemicals Ltd. (GSFC), Tata Steel, TCS and Wipro.**

Country : U.K.

I. Introduction

The United Kingdom (UK) is one of five permanent members of the UN Security Council, a founding member of NATO, and of the Commonwealth. It is a member of the EU, but it has chosen to remain outside the Economic and Monetary Union (EMU) for the time being. Constitutional reform is also a significant issue in the UK. The Scottish Parliament, the National Assembly for Wales, and the Northern Ireland Assembly were established in 1999, but the latter is suspended due to wrangling over the peace process.

It has a population of 60.6 million of which is 66.8% is in the age group of 15-64 years, and 15.8% of 65 years and above. The remaining population comprising 17.4% is in the age of 14 years and below. The life expectancy is quite high at around 79 years but the annual growth rate of population is just about 0.3%.

II. U.K. : An overview

UK is a leading trading power and financial center over the past two decades, the government has greatly reduced public ownership and introduced various social welfare programs. Agriculture production is intensive. It is highly mechanized and efficient by European standards, produces about 60% of food needs with less than 2% of the labor force. The UK has large coal, natural gas, and oil reserves; primary energy production accounts for 10% of GDP, one of the highest shares of any industrial nation. Services, particularly banking, insurance, and business services etc. generates GDP the contribution of which is at 73% while industry has continued to decline in importance and contributes at present 26% towards GDP mainly because of the relative high value of the pound, and emerging of sectors in the new economy which has adversely effected manufacturing and exports. A relatively good economic performance recently has complicated the BLAIR government's efforts to make a case for Britain to join the European Economic and Monetary Union (EMU). Critics point out that the economy is doing well outside of EMU, but public opinion polls indicate that majority of the Britons still remain opposed to the euro. In the meanwhile, the government has been speeding up reforms in education, transport, and health services and this is being done at a cost in terms of higher taxes which has led to the widening fiscal deficit.

III. U.K : Economy

The Gross Domestic Product (GDP) at purchasing power parity is estimated at US\$ 1,869 billion with the annual growth rate in GDP of 1.7%. Per capita GDP on PPP basis is US\$ 30,900* (*IMF: Public Information Notice of March 2006 estimates per capita income of US\$ 36,419 as distinct from per capita GDP of US\$ 30,900.) (2005 est). Nearly 73% GDP is contributed by services, 26% by industry and little over 1% by agriculture.

The country's exports are US\$ 373 billion (FOB) and bulk of which comprise manufactured goods, fuels, chemicals, food, beverages, tobacco. Its export partners are US (15.3%), Germany (10.8%), France (9.2%), Ireland (6.8%), Netherlands (6%), etc. Its imports are US\$ 484 billion which comprise mainly manufactured goods, machinery, fuels, foodstuffs and its trading partners are Germany (13%), US (9.3%), France (7.4%),

Netherlands (6.6%) Belgium (4.9%), etc. Now China is emerging as one of its import partners. Import macroeconomic variables of U.K. Economy are indicated in Table 1.

Table 1 : Important Macroeconomic Variables : UK economy

		2001	2002	2003	2004	2005 Est	2006 Est
I	Real Economy						
	Real GDP (change in percent)	2.2	2.0	2.5	3.2	1.8	2.5
	CPI	1.2	1.3	1.4	1.3	2.1	1.9
	Gross national saving (percent of GDP)	15.0	15.2	14.8	14.9	14.7	15.1
	Gross domestic investment (percent of GDP)	17.2	16.7	16.3	16.9	17.0	17.4
II	Public Finance						
	General Government Balance	0.0	-2.1	-3.1	-3.3	-2.9	-2.8
	Public sector net debt	30.1	31.4	32.8	34.7	36.4	37.8
III	Interest rates (year average)						
	Three-month interbank rate	4.9	4.0	3.7	4.6	4.7	--
	Ten-year government bond yield	4.9	4.8	4.5	4.9	4.4	--
IV	Balance of Payments						
	Exports (percent of GDP)	27.4	26.2	25.5	25.2	25.7	26.1
	Imports (percent of GDP)	30.1	29.2	28.3	28.6	29.7	30.0
	Trade balance (in percent of GDP)	-2.7	-3.0	-2.8	-3.3	-4.0	-3.9
	Current account balance (in percent of GDP)	-2.2	-1.6	-1.4	-2.0	-2.3	-2.3
	Net exports of oil (in billions of US dollars)	8.0	8.6	6.7	3.1	-0.5	--
V	Exchange Rates						
	Exchange rate regime						Floating

Source : IMF(PIN of March 2006)

Productivity growth in the UK over the past decade has been strong exceeding the average in other group of seven countries of G7. However, there is still a 5-7% gap in the level of output per hour. The main drivers of productivity growth are innovation, enterprise, competition, investment and skills including the improvement in regulatory reforms.

As to the future challenges, U.K. represents a highly open and quite flexible economy which is at the cutting edge of economic policies and developments, - both in the refinement of policy framework or in ways of dealing with globalisation.

IV India-UK Relationship.

The UK continues to be one of major India's trading partner, and the largest in Europe. By 2000, India-UK trade in goods and services was almost £5 billion, with trade in goods totalling £3.7 billion. On account of the slowdown in the global economy, total trade in the following two years stagnated, mainly because of the fall in British exports.

(i) India-UK Trade

India's trade with U.K. has steadily grown over the years; from US\$ 4,742 in 1999-00 to US\$ 6,976 in 2004-05. The growth is as high as 47% over a period of five years. One of the reasons is that U.K. provides a gateway to the European market. Because of the broadbase of the Indian exports and increasing trade of India with China the share of Indian exports to U.K. has declined from 5.53% in 1999-00 to 4.47% in 2004-05 (Table 2). However data for the first nine months from April-December indicate that in the short period of two years, Indian exports to U.K. have jumped from US\$ 2,118 in 2003-04 to US\$ 3,741 in 2005-06, an increase of 76.6%. (RBI: Monthly Bulletin, April 2006)

Table 2 : India's Trade with United Kingdom : Exports & Imports

(US\$ Million)

Year (April- March)	Exports to UK (US \$ mn)	Total Indian Exports (US \$ mn)	Imports from UK (US \$ mn)	Total Indian Imports (US \$ mn)	Share (percent) of total Indian		Total Trade with U.K (1+3)	India's Total Trade (2+4)
					Exports to U.K.	Imports to U.K.		
	1	2	3	4	5	7	8	9
1999-00	2,035	36,822	2,707	49,671	5.53	5.45	4,742	86,493
2000-01	2,299	44,560	3,168	50,537	5.16	6.27	5,467	95,097
2001-02	2,161	43,827	2,563	51,413	4.93	4.99	4,724	95,240
2002-03	2,496	52,719	2,777	61,412	4.73	4.52	5,273	114,131
2003-04	3,023	63,843	3,234	78,149	4.74	4.14	6,257	141,992
2004-05	3,545	79,247	3,431	107,066	4.47	3.20	6,976	186,313

Source: RBI: (i) Handbook of Statistics on Indian Economy 2004-05;

UK's main imports from India are: textiles and readymade garments, gems and jewellery, footwear, leather and leather goods, engineering goods, metal manufactures, power generating equipment, software services, pharmaceuticals, chemicals, marine products, rice, tea and other agricultural products like nuts and preserved fruits and vegetables. India's imports from the UK include: non-ferrous metals, gold, rough diamonds, power generating and telecom equipment, transport equipment, industrial machinery and chemicals.

(ii) Indo-British Partnership Programme

The Indo-British Partnership (IBP) programme launched in 1993 and is instrumental in shaping up the current Indo-UK trade pattern and in providing added momentum to the bilateral trade between these two countries. According to report published by UK Trade

and Investment Department, UK emerges as top European investment location for Indian companies targeting the European market and beyond. In 2003-04, 28 new companies from India invested in the UK bringing the total number of Indian companies to the UK 480.

(iii) U.K.'s Investment in India

The United Kingdom continues to be the largest cumulative investor in India, and the third largest investor post-1991. Since 1993, almost 1800 new joint ventures / foreign collaborations between Indian and UK companies have been approved, at the rate of roughly 200 every year. British investment approved by India in 2002 was \$375.9 million, well below the \$1.11 billion in 2001. Approved FDI in 2003 reduced further, but actual inflows in this period increased substantially. Some major UK insurance companies commenced their operations in India in 2002. Leading British oil and gas companies, including British Gas, Shell and Cairns Energy, have announced plans to expand their operations and increase their investments in India. An increasing number of British companies are moving to India for setting up Its/BPO operations.

(iv) Indian Community in U.K.

Bilateral trade and economic relations are doubtlessly facilitated by the presence of about 1.2 million strong Indian community in the UK, which represents the single largest ethnic segment of the country's population (1.5%). Contribution of NRIs in the UK has been notable from the economic point of view, especially in the fields of industry, medicine, accountancy, law, management, financial services and food. 40% of the pharmaceutical trade of the UK is run by Indians who are also the mainstay of several other retail trades in the country. Some figures are pertinent here - the 'curry industry' in Britain, that includes Indian restaurants and the ancillary food industry, employs more people than shipbuilding, steel and coal mining put together. According to an estimate, out of every pound spent on food in the UK, 30 pence is spent on curry.

(v) Sectoral Focus

Among the sectors that have been identified for focus in the sphere of bilateral trade are:-
i) Goods - engineering goods, textiles, gems and jewellery, natural stone, marine products, chemicals, rice, processed foods, alcoholic beverages, non-GM produce like soya, and pharmaceuticals including complementary medicine; and ii) Services - software, biotechnology (R&D, information exchange and product development), healthcare and media.

Biotechnology has been identified as one of the main areas for enhanced cooperation. Leading Indian biotechnology companies are collaborating with clients across the UK and Europe. Astra Zeneca has established an R&D Centre in Bangalore. GlaxoSmithKline and Ranbaxy have signed an agreement for joint research and development. Industry delegations from both countries have visited each other regularly.

Healthcare is another potential area of cooperation. India already supplies doctors and nurses in substantial numbers for UK's National Health Service. Indian pharmaceutical companies also market their products and have even invested in production facilities in the UK. UK is also a source for medical equipment. The Indian Healthcare Federation comprising top Indian private sector healthcare organisations and super-specialty hospitals visited the UK in September 2003 to explore potential partnerships and opportunities.

V India-UK Business Opportunities :

Indian economy is one of the fastest expanding in the world, with a rapidly expanding consumer class. The UK has strong economic and political ties with India, and UK companies are well positioned to take advantage of this growing export and investment market. Liberalisation of the Indian economy continues apace, with trade barriers having largely been removed and the peak tariff down from 350% in 1991 to 15% in 2005. Privatisation programmes are gradually reducing the still-significant role of the public sector in the production and consumption of goods. There are 16 broad sectors in which proactive UK companies can increase their profitability and international competitiveness :

Aerospace (civil)	Creative and media	Healthcare and medical
Automotive	Education, skills and leisure	ICT
Agribusiness	Engineering	Oil and gas
Biotechnology and pharmaceuticals	Environment	Power
	Financial and legal services	Transport
Construction		Water

As a part of the Indo-British Partnership (IBP) Programme, Dr. Manmohan Singh, Prime Minister of India and Mr. Tony Blair, British Prime Minister in their joint Press Conference on September 08, 2005 during the former visit to London have this to say,

<p><i>“Our relationship is very special, and one which contains exceptional potential. Both governments are determined to realize this potential, to the advantage of our people and our bilateral relationship”.</i></p> <p><i>Prime Minister, Manmohan Singh at a joint Press Conference</i></p>	<p><i>“We are two countries that have undergone a lot of change, are continuing to undergo a lot of change, but are both confident of our future and confident of the role we can play together in shaping the modern world”</i></p> <p><i>Prime Minister, Tony Blair at a joint Press Conference.</i></p>
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Other Markets

Debt Market

While during the month of April 2006, there was no major development in the debt market, however, some of the banks raised funds through new issues during March 2006 mainly to shore up their Tier-II capital; both Central Bank of India and UTI Bank Ltd. came out with the issues (Tier II bonds) worth Rs.500 crore each, and Industrial Development Bank of India Ltd. issued bonds worth Rs.300 crore with a greenshoe option of Rs.200 crore. Other banks such as UCO bank and ING Vysya Bank Ltd. issued Tier-II Bonds worth Rs.200 crore and Rs.50 crore respectively, with a greenshoe option of Rs.100 crore by UCO Bank. The greenshoe option in the case of Tier II bonds by UTI Bank Ltd. was of Rs.350 crore. In these issues / bonds the interest varied from the low of 8.15% to 8.75%.

Call Money Market

The call money market rate on April 14, 2006 in respect of borrowings ranged between 4.00% and 5.90% as compared to 3.75% and 5.50% on April 15, 2005 i.e. a year ago. A month ago, the rates were 5.00% - 7.40% on March 10, 2006 reflecting that there was a nominal softening of the rate during the month. The average daily turnover in the call money market was Rs.7,496 crore for the week ending April 14, 2006 and this daily turnover rose to Rs.9,103 crore in the week ending April 21, 2006.

Foreign Exchange Market

The exchange rate (RBI reference rate) on April 21, 2006 was Rs.45.09 per US dollar as compared to Rs.45.15 per US dollar on April 17, 2006. This reflected a nominal appreciation of the rupee vis-a-vis US dollar over the week. Further, the six month forward premia was 1.00% on April 21, 2006 as compared to a premium of 1.44% on April 17, 2006 (a week ago), and this reflects that supply of dollars is likely to ease in the forthcoming months. The foreign currency asset were US \$ 150.74 billion on April 21, 2006, and inclusive of gold and SDRs and the reserve position in the Fund, the foreign exchange reserves aggregated to US\$ 157.26 billion. From end-March 2005, the foreign exchange reserves registered a rise of US\$ 5.64 billion. The market rate (buying) was Rs.44.83 per US dollar on April 28, 2006.

Important Policy Pronouncements

RBI Governor, Dr. Y. Venugopal Reddy announced the Annual Policy Statement as also Annual Statement on Developmental and Regulatory Policies for the year 2006-07 on April 18, 2006. Highlights are :

I. Domestic developments :

- GDP growth projection for 2006-07 at 7.5-8.0 per cent.
- Inflation to be contained within 5.0-5.5 per cent during 2006-07.
- M₃ (broad money) projected to expand by around 15.0 per cent for 2006-07. In normal circumstances, the policy preference would be for maintaining a lower order of money supply growth in 2006-07.

II. Stance of Monetary Policy

- The Reserve Bank will continue to ensure that appropriate liquidity is maintained in the system so that all legitimate requirements of credit are met consistent with the objective of price and financial stability. Towards this end, RBI will continue with its policy of active demand management of liquidity through OMO including MSS, LAF and CRR, and using all the policy instruments at its disposal flexibly, as and when the situation warrants.
- Barring the emergence of any adverse and unexpected developments in various sectors of the economy and keeping in view the current assessment of the economy including the outlook for inflation, the overall stance of monetary policy at this juncture will be :
 - ¹ to ensure a monetary and interest rate environment that enables continuation of the growth momentum consistent with price stability while being in readiness to act in a timely and prompt manner on any signs of evolving circumstances impinging on inflation expectations.
 - ¹ To focus on credit quality and financial market conditions to support export and investment demand in the economy for maintaining macroeconomic, in particular, financial stability.
 - ¹ To respond swiftly to evolving global developments.

III. Monetary Measures

- Bank Rate kept unchanged at 6.0 per cent.
- Reserve Repo Rate and Repo Rate kept unchanged at 5.5 per cent and 6.5 per cent, respectively.
- Cash reserve ratio (CRR) kept unchanged at 5.0 per cent.

IV. Developmental and Regulatory Policies

a) Interest Rate Policy

- ¹ Status quo be maintained on interest rate on savings bank deposits.
- ¹ The ceiling on interest rates on non-resident (external) rupee deposits for one to three years maturity raised by 25 basis points to 100 basis points above LIBOR / SWAP rates for US dollar of corresponding maturity with immediate effect.
- ¹ The ceiling interest rate on export credit in foreign currency raised by 25 basis points to LIBOR plus 100 basis points from LIBOR plus 75 basis points with immediate effect.

b) Financial Markets

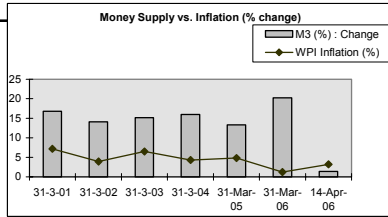
- ¹ Working Group to be constituted to examine the relevant recommendations of the High Level Expert Committee on Corporate Bonds and Securitisation (Chairman : Dr. R.H. Patil) to suggest a roadmap for implementation.
- ¹ ADs to grant extension of time to realize export proceeds up to US\$ one million beyond the prescribed period of six months.
- ¹ ADs to allow remittances towards initial and recurring expenses of branch offices of Indian entities up to 10 per cent and 5 per cent of the average annual sales/income or turnover during the last two accounting years, respectively.
- ¹ Advisory Group (Chairman : Shri Mohandas Pai) constituted to review all foreign exchange regulations relating to services and make appropriate suggestions for further clarification or simplification.

c) Prudential Measures

- General provisioning requirement raised on standard advances, i.e. personal loans, loans and advances qualifying as capital market exposures, residential housing loans beyond Rs.20 lakh and commercial real estate loans from the present level of 0.40 per cent to 1.0 per cent.
- Risk weight on exposures to commercial real estate raised from 125 per cent to 150 per cent.

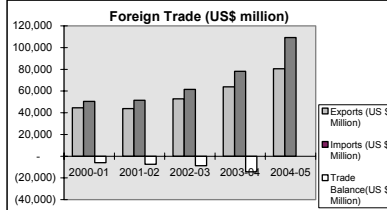
d) Institutional Developments

- SIDBI and the NABARD agreed to evolve a viable credit dispensation arrangement to provide resource support to NBFCs catering to the needs of SME sector and agri-related activities.
- It was further announced that the First Quarter Review of Part I of the Annual Policy will be undertaken on July 25, 2006.



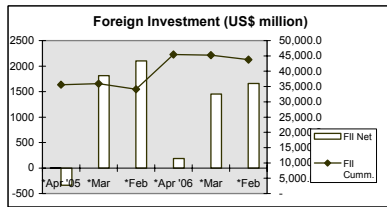
	31-3-01	31-3-02	31-3-03	31-3-04	31-Mar-05	31-Mar-06	14-Apr-06
M3 (Rs. Crore)	13,13,220	14,98,355	17,25,222	20,03,102	22,53,938	27,09,905	27,47,919
M3 (%): Change	16.82	14.1	15.14	15.95	13.30	20.23	1.40
WPI (Index) All Commodities#	155.7	161.8	172.30	180.30	189	191.4	197.6
WPI Inflation (%)	7.16	3.92	6.49	4.29	4.83	1.23	3.23

Source: RBI Bulletin, March 2006; WSS: April 28, 2006. #1993-94 = 100 @ yearmonth-end. *April 09, 2005. *April 08, 2006.



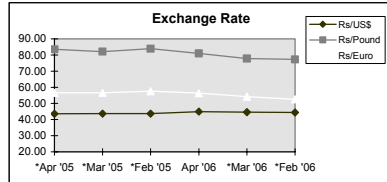
During the Year	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06*
Exports (US \$ Million)	44,560	43,827	52,719	63,843	80,540	100,607
Imports (US \$ Million)	50,537	51,413	61,412	78,149	109,173	140,238
Trade Balance (US \$ Million)	(5,977)	(7,586)	(8,693)	(14,306)	(28,633)	(39,631)

Source: RBI Bulletin, March 2006. Revised figures for 2000-01 to 2004-05. *DGCI&S data for April-March (Press Release)



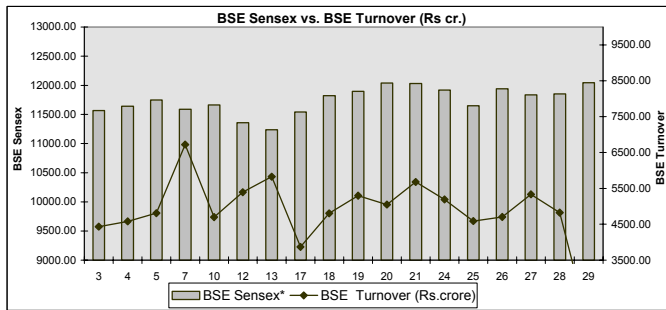
	2005-06 (US\$ million)			2006-07 (US\$ million)		
	*Apr '05	*Mar '05	*Feb '05	*Apr '06	*Mar '06	*Feb '06
Fill Net	(337.6)	1,812.5	2,100.9	185.5	1,450.2	1,659.5
Fill Cumulative	35,588.0	35,925.7	34,113.0	45,443.9	45,258.7	43,808.5

Source: SEBI - Diff. In total figures are due to rounding off.

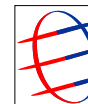


	2005-06			2006-07		
	*Apr '05	*Mar '05	*Feb '05	Apr '06	*Mar '06	*Feb '06
R\$US\$	43.65	43.75	43.71	44.97	44.61	44.43
R\$Pound	83.57	82.09	83.98	81.04	77.80	77.31
R\$Euro	56.60	56.58	57.64	56.41	54.20	52.63

Figures are for month-end



April 2006	BSE Sensex* Close	BSE Turnover (Rs. crore)
3	11564.36	4433.00
4	11638.01	4582.00
5	11746.90	4808.00
7	11589.44	6722.00
10	11662.55	4701.00
12	11355.73	5394.00
13	11237.23	5827.00
17	11539.68	3870.00
18	11821.57	4806.00
19	11895.98	5297.00
20	12039.55	5050.00
21	12030.30	5680.00
24	11915.24	5190.00
25	11646.78	4588.00
26	11938.53	4704.00
27	11835.02	5335.00
28	11851.93	4823.00
29	12042.56	1676.00



Annexure 1 : Select International Economic Indicators for Developed Industrialised Countries And India

Country	3-Month Money Mkt		CPI		Currency unit per US \$		Union Budget (+) / (-) % of GDP 2005	Real Rate (Short-term) (1-3)	Currency unit per Euro 26.04.06
	As on 26.04.06	A Year ago	3- Month	A Year ago	As on 26.04.06	A Year ago			
	1	2	3	4	5	6	7	8	9
Euro-11	2.82	2.13	2.20	2.10	0.80	0.77	-2.90	0.62	1.00
			Mar						
U. S. A.	4.90	3.12	3.40	3.10	1.00	1.00	-3.70	1.50	1.24
			Mar						
Britain	4.61	4.88	1.80	1.90	0.56	0.52	-3.10	2.81	0.70
			Mar						
Japan	0.04	0.02	0.50	-0.30	115.00	106.00	-6.50	-0.46	143.00
			Feb						
Sweden	2.06	1.97	1.10	0.10	7.49	7.05	1.20	0.96	9.32
			Mar						
Switzerland	1.31	0.76	1.00	1.40	1.27	1.19	-1.60	0.31	1.58
			Mar						
India*	6.60	5.28	4.37#	4.00	44.42	43.81	-3.80	2.23	53.52
	(Mar 14, 06)	(Feb 18, 05)		(2004-05 over 2003-04)	(Mar 17, 06)	(Dec 24, 04)		(2006-07)	

Source: The Economist London: April 29th-5th May, 2006

For India, RBI Bulletin, March 2006

For India, RBI Weekly Statistical Supplement, (WSS), April 28, 2006 and Union Budget 2006-07

CPI - (IW) January 2006 over January 2005 (RBI Bulletin, March 2006)

*RPI Inflation rate 2.4% in January 2006

Annexure 2 : Important Indicators for Select Emerging Market Countries

Country	GDP	Industrial Production	Consumer Prices	Short-term Interest Rates	Foreign Exchange Reserves*	Exchange Rate			Trade Balance	Current Account
	% change on earlier year			% p. a.	US \$ Billion	per US\$		per Euro	Latest 12 Months \$ Billion	
	1	2	3	4	5	26.04.06	26.04.06 a year ago	26.04.06	9	10
China	10.2	17.8	0.8	2.10	875.1	8.02	8.28	10.03	108.1	128.5
	Q1	Mar	Mar		Mar				Mar	H1
Hongkong	7.6	5.9	1.8	4.57	125.9	7.76	7.80	9.70	-11.3	19.7
	Q4	Q4	Mar		Mar				Feb	Q4
India	7.6	8.8	5.0	5.39	145.1	45.10	43.70	56.38	-39.4	-13.3
	Q4	Feb	Feb		Mar				Mar	Q4
Indonesia	4.9	-17.5	15.7	13.45	33.8	8800.0	9558.0	11010.00	29.8	3.0
	Q4	Feb	Mar		Feb				Feb	Q4
Malaysia	5.2	5.8	4.8	3.60	71.6	3.64	3.80	4.55	26.8	19.9
	Q4	Feb	Mar		Feb				Feb	Q4
Singapore	9.1	25.2	1.2	3.38	122.2	1.59	1.65	1.99	32.5	33.2
	Q1	Mar	Mar		Mar				Mar	Q4
South Korea	6.2	10.0	2.0	4.37	217.3	947.0	1003.0	1183.75	19.3	9.6
	Q1	Mar	Mar		Mar				Mar	Mar
Taiwan	6.4	7.2	0.4	1.70	257.1	32.10	31.40	40.13	8.9	16.4
	Q4	Mar	Mar		Mar				Mar	Q4
Thailand	4.7	12.8	5.7	5.10	52.9	37.70	39.50	47.13	-7.0	-1.8
	Q4	Feb	Mar		Feb				Jun	Feb

Source: The Economist London: April 29th-5th May, 2006

@For India, RBI WSS, April 28, 2006

Note: Quotes for currency units per Euro in Col. 8 are derived one.

*Excluding Gold and SDRs

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