



Update on Indian Economy

May 2007

Economic Snapshot

Contents	Item	Units	April	March	April	(% Change	
			2007	2007	2006	[1] / [2]	[1]/[3]
			[1]	[2]	[3]	[4]	[5]
- Editorial	WPI -Index*	1993-94=100	210.8	209.3	198.7	0.72	6.1
- Capital Market	WPI -Inflation**	Per cent	6.1	6.5	3.2		
- Country - France		Week ended	07.04.06	10.03.07	08.04.06		
- Other Markets	IIP (93-94=100)	2 months lag	252.4	263.9	227.3	(4.36)	11.04
- Important Policy Pronouncements			(Feb 07)	(Jan 07)	(Feb 06)		
	INR / US\$	Month End	41.29	43.59	44.97	(5.28)	(8.18)
	M3	Rs. '000 Cr.	3321.49	3206.30	2747.92	3.59	20.87
	[i] Agg. Deposits	Rs. '000 Cr.	2822.03	2715.25	2320.88	3.93	21.59
	[ii] Currency	Rs. '000 Cr.	499.46	491.05	427.04	1.71	16.96
		(Outstanding as on)	(13.04.07)	(16.03.07)	(14.4.06)		
	Call Money	% Range	1.50-7.50	3.30-11.00	4.00-5.90	-	-
	(Lendings)	Week ended	13.04.07	16.03.07	14.4.06		

Source: RBI Weekly Statistical Supplement April 27, 2007 & Economic & Political Weekly April 20, 2007

*All Commodities. **Over the year.

Editorial

A) Domestic

The Industrial Production during major part of 2006-07 has remained strong, and the latest available data for the first eleven months (April-February) of 2006-07, indicate that overall growth in the index of industrial production was 11.1% as compared to 8.1% in the corresponding period of 2005-06. This growth was propelled by sharp increase in the manufacturing the rate of which rose from 9.1% in the first eleven months of 2005-06 to 12.1% in the same period of 2006-07, – three percentage points of increase in the sector. As the weight of manufacturing in the index is nearly 80%, the rate of growth of sector like electricity rose from 5.3% to 7.2%, and mining from 0.9% to 4.9%.

In addition, the export growth has maintained this momentum inspite of the appreciation of the Indian rupee. Exports during the first eleven months (April-February) of 2006-07 recorded US\$ 109.13 billion which represented a growth of 19.3% over the exports in preceding year. There was thus a deceleration in the rate of growth. Similarly imports during the first eleven months (April-February) of 2006-07, amounted to US\$ 164.99 billion which recorded a growth of 27.8% over the corresponding period of 2005-06. There was also a deceleration in both exports and imports resulting in the balance of trade recording a deficit of US\$ 55.89 billion. Thus both in terms of the rate of increase of Index of Industrial Production and that of growth in exports the Indian economy continues to maintain robustness in performance.

B) International

According to the Fourth Annual Global Monitoring Report (GMR) of the Millennium Development Goals (MDGs), the development Committee of the IMF and World Bank in their communiqué on April 15th 2007 observed the continued strong growth of the global economy and improved policies and working of institutions. The highlights of the communiqué are :

1. The total Official Development Assistance (ODA) flows have grown in real term over the past decade. A significant part of this increase reflects debt relief, which is making important contributions to country-level financial resources and progress. The pledges made in 2005 to double aid for Africa by 2010 are not been translated into increased total donor resources for programs on the ground, - towards the target of 0.7 percent of Gross National Income as ODA in accordance with their commitments.
2. Appreciated the emerging and private sources of aid and appropriating more resources to the poor countries in helping their MDGs. However, there are risks of aid fragmentation and high transaction costs for the recipients countries and consequently reduced aid effectiveness.
3. The current efforts to meet the human development MDGs, including major increases in primary school completion and vaccination are welcomed.
4. Efforts toward empowerment of women and gender equality are quite important not only for achieving gender-specific aspects of the MDGs (such as progress on gender equality in school enrolments and literacy, and the share of women in non-agricultural employment and national parliaments), but also for the attainment of the MDGs as a whole.
5. Existence of the weak institutions, poor governance and frequently associated conflicts in countries has been termed as fragile States. It is observed that about 9% of the population of developing countries exists in fragile States where 25% of the population are categorised as extreme poor. These are the countries which are least likely to achieve the MDGs. However, several countries have shown that it is possible to transit from weak institutions and the legacy of conflict to sustained gains in growth and poverty reduction.
6. The importance of trade as a driver of growth and poverty reduction was reemphasised and hoped that the break through in Doha Development Round negotiations would take place. Finally, the report underlined the need for proper governance and removing corruption, developing strategies on principles of transparency, predictability, consistency and equity of treatment across member countries.

Capital Market Review

During the month of April 2007, the market remained range bound. The Sensex (30-share index) of BSE which closed at 13072.10 on March 30, 2007 rose to 13872.37 on April 30, 2007, the last trading days of the month, registering a growth of 800.27 or 6.12%. The month witnessed major policy changes announced both by the Reserve Bank and the market regulator, the Securities and Exchange Board of India (SEBI), the focus of the former being to control liquidity within the economy and thereby tame inflation, while that of the latter was directed at making the capital market more transparent so that the trading is conducted without any scam. In fact, the Indian Capital Market, as of today, is fairly efficient as the trade is conducted on T+2 basis while the market in the US still continues to be conducted on T+3 basis. The initial impact of the Reserve Bank Annual Monetary Policy Statement for the year 2007-08 announced on April 24, 2007 led to the softening of the market while announcements made by SEBI during the month were to bring about transparency and efficiency in the conduct of trading. It is because of these policy measures the sensex did not leap frog as in the past.

Major guidelines as these affected the capital markets were as follows :

- The Finance Minister called upon the regulators and market players to gear up to face the current volatility in the equity, debt and forex markets. The global macro-economic imbalances pose a potential threat to financial stability of the emerging economies. He also stated that India will have a GDP of \$ 1 trillion with saving and investment rates in excess of 30 per cent during 2007-08.
- The Securities and Exchange Board of India (SEBI) has turned to its US counterpart - the Securities and Exchange Commission (SEC) for some advice to regulate the intermediaries called investment advisors who tender investment advice to clients. The SEBI strongly feels that investment advisors need to be regulated in the overall interests of the investors and markets.
- The Securities and Exchange Board of India (SEBI) has decided that the MFs cannot park more than 15% of their net assets in short-term deposits, not exceeding 91 days of banks; this can be enhanced to 20% with the permission of trustees. Also, an individual scheme cannot park more than 10% of the net assets in short-term deposit(s) with any one scheduled commercial bank including its subsidiaries. Parking of funds in short-term deposits of associate and sponsor scheduled commercial banks together shall not exceed 20% of the total deployment by the MF in short-term deposits. A New Fund Offerings (NFOs) usually park their collections in such instruments until the money is invested in line with objectives of the scheme. This move will force the Fund Managers to invest money in the money / capital market instruments rather than using bank deposits as regular investment avenue.

- The National Stock Exchange (NSE) is chalking out a strategy to launch a separate trading platform for small and medium companies (SMEs). The move is expected to cut into the business of rival Bombay Stock Exchange (BSE). The NSE's proposal is also aimed at encouraging a large number of smaller companies to raise funds through the new issues or Initial Public Offerings (IPO) route to meet their growth plans. Currently, only companies with a minimum paid-up equity capital of Rs.10 crore and a market capitalisation of Rs.25 crore or above are eligible to list on the NSE.
- It is apprehended that the Initial Public Offerings by companies in India could slow down this year because of new regulatory system of mandatory grading of IPOs. Under the mandatory system, companies planning IPOs must be graded by credit rating agencies to give potential investors more information about the strengths and weakness of the companies.
- India currently does not allow hedge funds, which often get blamed for market volatility through the relatively short-term nature of their investing. There has, however, been informed speculation that some hedge funds are very much active in India using alternative methods to invest in the stock market. The Indian capital market was opened for foreign investors in December 1993 and since then the Securities and Exchange Board of India (SEBI) has registered 1,014 FIIs. At least six hedge funds are, at present, reportedly registered with SEBI as FIIs.
- The Securities and Exchange Board of India (SEBI) is of the view that the real estate companies going for IPOs should not give futuristic valuation of land with them in the offer documents as this could mislead the investors. As of February 14, 2007, there are seven draft offer documents of real estate companies filed with SEBI aiming to collectively mobilize Rs.17,400 crore.
- The Securities and Exchange Board of India (SEBI) has allowed the listed companies to send only abridged annual reports containing information on the balance sheet, profit & loss account to their shareholders instead of the present practice of sending a complete copy of the full balance sheet, profit & loss account and director's report. All stock exchanges have been directed to amend the Clause 32 of the Listing Agreement. The circular comes into force with immediate effect.
- Stock brokers themselves will soon be able to shoulder part of the regulatory burden. A self-regulatory organization (SRO) for the country's entire broking community is in the making, following the IOSCO conference held in Mumbai recently. The Association of NSE Members of India (ANMI) is in talks with the US-based National Association of Securities Dealers (NASD), the world's leading private sector SRO, to chalk out ways to provide expertise on the formation of a high-end SRO here. It may take another six months to complete the process.

	April	March	April	March	(%) Change		
	2007	2007	2006	2006	[1] / [2]	[1] / [3]	[2] / [4]
Major Indices	[1]	[2]	[3]	[4]	[5]	[6]	[7]
BSE Sensex – Close	13872.37 (30.04.07)	13072.1 (30.03.07)	11,851.93 (29.04.06)	11,279.96 (31.03.06)	6.12	17.05	15.89
Monthly High	14228.88 (26.04.07)	13308.03 (22.03.07)	12,042.56 (29.04.06)	11,307.04 (30.03.06)	6.92	18.15	17.70
Monthly Low	12455.37 (02.04.07)	12415.04 (05.03.07)	11,237.23 (13.04.06)	10,508.85 (08.03.06)	0.32	10.84	18.14
S&P CNX Nifty –Close	4087.90	3821.55	3508.35	3402.55	6.97	16.52	12.31
P/E Ratio : BSE – 30	20.71	20.33	21.02	20.92	1.87	(1.47)	(2.82)
FII Investments (Equity+ Debt)							
Inflows – Rs. Cr.	50633.3	54042.8	43236	53162.4	(6.31)	17.11	1.66
Outflows – Rs. Cr.	42911.8	53681.9	42414	46731.9	(20.06)	1.17	14.87
Net – Rs. Cr.	7721.5	360.6	821.8	6430.4	2041.29	839.58	(94.39)
Cum. Net Inv–US\$ Mn. (Month End)	53717.7	51965.7	45443.9	44956.3	3.37	18.21	15.59

The sectors which could be impacted by these announcements are banking, mutual funds, and infrastructure. During the month, the net cumulative investments by FIIs rose from US\$ 51.97 billion in end March 2007 to US\$ 53.72 billion in end April 2007.

Country – France

I Introduction

Demographically, the population of France is estimated at 62.7 million, and out of this 60.9 million is located in metropolitan France. The dependant population in the age group of 0-14 years is estimated at 18.3% while the aged population of 65 years and above is estimated at 16.4%. Remaining nearly 2/3rd of the population (65.3%) is working and is in the age group of 15-65 years.

The gross domestic product (GDP) at official exchange rate is estimated at US\$ 2154 billion, and on purchasing power parity basis at US\$ 1871 billion. Per capita GDP on purchasing power parity basis is estimated at US\$ 30,100. Contribution to GDP comes largely from the services which account for 77.2%, and 20.6% from industry while the contribution from agriculture is extremely low at 2.2%.

II French Economy

The French economy stands out among the economies of the European countries. According to IMF's World Economic Outlook of April 2007, the annual rate of output growth which was low at 1.2% in 2005 rose to 2% each in 2006 and 2007, and is projected to rebound to 2.4% in 2008. The rate of inflation continues to be below 2% which is a bench mark for effecting changes in the economic policy of individual countries in the Euro area. The rate of inflation which averaged only 1.9% each in 2005 and 2006 is set to decline to 1.7% in 2007 with a projection of nominally higher rate of 1.8% in 2008. Annual rate of unemployment which averaged 9% during 2000-2004 rose to 9.7% in 2005 and thereafter declined to 9.0% in 2006. It is projected to decline further to 8.3% in 2007 and 7.8% in 2008. Thus, low rate of inflation, declining rate of unemployment and relatively high rate of output growth represent the strength of French economy.

III France and the EU

Among the European countries, France is at the forefront of the efforts contributing to development of not only the EU military capabilities but also to push forward and supplement the growth momentum of the EU region. The French economy which is well integrated with Europe is showing momentum which indicates bright prospects in the next two years. The factors which are responsible are continuing job creation, declining rate of unemployment and well behaved inflation and strong private consumption. The economies in Europe are now converging because of the business investment which is boosting production including increased export capacity, and strong private consumption aided by residential investment. While the overall Euro area is expected to remain broadly in external balance capital inflows are sustaining current account deficit in some countries.

IV Indo-French Trade

Indian exports to France which till 2002-03 were close to US\$ 1 billion and steadily rose and doubled to US\$ 2.0 billion in 2005-06. However, imports from France have remained around 1.8 billion each both in 2004-05 and 2005-06. Thus, the Indo-French bilateral trade which was about US\$ 2.4 billion in 2003-04 reached US\$ 3.8 billion in 2005-06, and the trade continues to be marginally in favour of India. After UK, Germany, Belgium and Italy, France continues to be India's 5th largest trading partners in the EU.

India's Trade with France : Exports & Imports

Year	Exports to France (US\$ mn)	Total India Exports (US\$ mn)	Imports from France (US\$ mn)	Total Indian Imports (US\$ mn)	Share (percent) of total Indian		Total Indian Trade with France (1+3) (US\$ mn)
					Exports to France	Imports from France	
April-March	1	2	3	4	5	6	7
1999-00	897	36822	718	49671	2.44	1.45	1615
2000-01	1020	44560	641	50537	2.29	1.27	1661
2001-02	945	43827	844	51413	2.16	1.64	1789
2002-03	1074	52719	1094	61412	2.04	1.78	2168
2003-04	1281	63843	1090	78149	2.01	1.39	2371
2004-05	1681	83536	1894	111517	2.01	1.70	3575
2005-06	2048	102725	1764	142416	1.99	1.24	3812

Source : RBI : Handbook of Statistics on the Indian Economy, 2005-06

Indian exports to France consist of wide range of goods such as garments, leather, textiles, raw cotton and yarn in traditional category and automotive components, electronic and rubber components, pharmaceuticals, etc. in non-traditional category.

France exports to India comprise mainly electrical equipment, organic chemical products, aeronautical and space construction products, mechanical equipments, etc.

Given this relatively low share of trade with France, there is a considerable scope for the trade between the two countries to expand.

Four-fifths of the GDP of France is derived from the service sector. Consequently, future trade between the two countries, given the comfort level of foreign exchange reserves of India, and rising income of both middle income groups and high net-worth individuals, would take place in the luxury items. The products which were considered to be luxury by Indians a few years ago are no longer so now. Recently in the Luxury Conference held in New Delhi towards the close of April 2007, the French Trade Minister Christine Lagarde sought to promote the French luxury goods for the Indian market. Given the fact, that the number of Indian middle class households has grown and that there are more than two million households in India which earn more than US\$ 100,000 a year, there is likelihood of growing demand for luxury goods like perfumes, fashion and art products. This Conference sought to create a market for French luxury goods, and at the Conference the Indian Minister for Trade and Commerce Mr. Kamal Nath indicated to his counter part French Trade Minister Christine Lagarde that India was ready for a relook at the import duty on luxury goods but at the same time he would like to guard local manufacturers from unfair competition. Mr. Kamal Nath addressing the delegates, a quarter of them were from overseas, mentioned that “you are at the right place at the right time”. One of the CEO of French luxury goods Yves Carcelle, Chairman and CEO, Louis Vuitton Malletier indicated that there is fantastic appetite in France for Indian culture and we hope to be becoming cross country ambassadors.

V French Market Reforms

Earlier the French economy had a lot of social content but this has been gradually changing and moving towards modern economy; the socialist nature represented extensive government ownership and government intervention but now the move is towards market mechanism. Many large companies including banks, insurance companies have been partially or fully privatised and governmental holdings in leading firms such as Air France, French Telecom, Renault and Thales have been reduced. Even with these disinvestments strong presence of Government in companies in the power sector, public transportation, and defence industries continues. Recently, the telecommunication sector has been gradually opened to competition. Many French leaders now remain committed to capitalism in which maintenance of social equity by means of laws, tax policies and social spending are to be achieved, and these measures in turn would tend to reduce income disparity and allow free markets to function efficiently.

These changes require labour reforms but there is a built-in resistance. Till today, a large proportion of the population still continues to remain opposed to labour reforms; the votaries of market economy believe that absence of labour reform hampers the Government ability to revitalise the economy. Because of the socialist nature of the economic system tax burdens continue to remain one of the highest in Europe and it is nearly 50% of GDP. General government balance as percentage of GDP which was in deficit to the tune of 2.9% in 2005 is expected to decline to 2.6% each in 2006 and 2007, and is projected to decline further to 2.4% in 2008. The external current balance which was in surplus at 0.8% of GDP during the period 2000-04 turned to deficit of 1.6% in 2005, 2.1% in 2006, 2.2% in 2007 and the deficit is projected at 2.3% in 2008. Because the country is visited by 75 million foreign tourists per year it represents a destination liked by many in the world, and France is one of the largest earners from tourism in the world.

Macro-Economic Indicators : France

		2005	2006	Projections	
				2007	2008
I	Output (growth Rate)	1.2	2.0	2.0	2.4
II	General : Government Fiscal Balance				
	Actual balance	-2.9	-2.6	-2.6	-2.4
	Output gap	-1.7	-1.8	-1.9	-1.6
	Structural balance	-2.2	-1.4	-1.4	-1.5
	Net debt	57.0	55.0	54.2	53.7
	Gross debt	66.7	64.7	63.9	63.4

Source : IMF, World Economic Outlook April 2007

Other Markets

Debt Market

Issuances remained low key in March 2007. The largest issue was from the State Bank of Saurashtra for Tier-II bonds worth Rs.225 crore. State Bank of Bikaner and Jaipur and United Bank of India were other banks to issue bonds during the month. The only other issue was from Power Finance Corporation Ltd.

	Name of the Issuer	Rate %	Duration	Rating	Amount Rs. Crore	Type of Instrument
i)	Power Finance Corporation Ltd	9.90	10 years	AAA	150	Unsecured Debentures
ii)	State Bank of Bikaner and Jaipur	10.25a	15 years ^b	AAA	150	Upper Tier-II Bonds
iii)	State Bank of Saurashtra	9.80	111 mths	AAA	225	Tier-II Bonds
iv)	United Bank of India	10.10	121 mths	AA	100	Lower Tier-II Bonds

a. With a mark-up of 50bps if call option is not exercised.

b. With a 10 year call option

(Source : Credit Analysis & Research Ltd. April 2007)

Call Money Market

The call money market rate on April 13, 2007 in respect of borrowings ranged between 1.50% and 7.50% as compared to the rates of 4.00% - 5.00% on April 14, 2006 (i.e. a year ago) reflecting that there was a not only hardening of the interest rate but reflected volatility during the year. The average daily turnover in the call money market was Rs.13,643 crore for the week ending April 13, 2007 and this daily turnover rose substantially to Rs.18,424 crore in the week ending April 20, 2007.

Foreign Exchange Market

The exchange rate (RBI reference rate) on April 20, 2007 was Rs.41.99 per US dollar as compared to Rs.42.30 per US dollar on April 16, 2007, that is, a week ago; this reflected appreciation of the rupee vis-a-vis US dollar. Further, the six month forward premia was 6.43% on April 20, 2007 as compared to a premium of 6.45% on April 16, 2007 (a week ago), and this reflects that supply of dollars is likely to become relatively tight in the forthcoming weeks. The foreign currency asset were US \$ 196.63 billion on April 20, 2007, and inclusive of gold and SDRs and the reserve position in the Fund, the foreign exchange reserves aggregated to US\$ 203.88 billion. From end-March 2006, the foreign exchange reserves registered a rise of US\$ 4.70 billion. The market rate (buying) was Rs.41.29 per US dollar on April 30, 2007.

Important Policy Pronouncements

The Annual Foreign Trade Policy for 2007-08 announced on April 20, 2007 by Mr.Kamal Nath Minister for Trade & Commerce set the ambitious export target of US\$ 160 billion for the next year that is 2007-08 which is higher than export target of US\$ 125 billion fixed for 2006-07. This is a jump of 28% over the exports target of US\$ 125 billion in 2006-07, and is based on the assumption that the Special Economic Zones (SEZs) being set up in the country would help to reach the target. To encourage exports, the Government has also removed service tax on exports in view of the continued rupee appreciation which will impact on the Indian exporters and as a part of the mitigation exporters are exempted from payment of 12% service tax and that exporters can hope to get a refund on the service tax which they have paid for hiring customs agents, couriers companies and insurance premium. This will entail a loss of around Rs.600 crore to Government.

Other policies measures relating to trade announced by the Minister were :

➤ Tax sops for coconut & soybean oil, potato flakes reports	➤ Duty free tools and machinery for gems and jewellery sector
➤ Focus products scheme to cover new agro and forest items	➤ Limit for duty free import of samples increased to Rs.75,000/-.
➤ DEPB scheme extended up to March 31, 2008	➤ Duty on fuel and 4% special additional duty to be factored in DEPB
➤ New scheme to promote hi-tech products launched	➤ EPCG scheme revamped to make it user friendly.
➤ Focus market scheme to cover 16 new countries; 10 CIS nations	➤ Benefits of duty exemptions, DEPB extended to SEZ developers
➤ No duty on effluent treatment equipment for handloom sector	

- A. On April 24, 2007 Reserve Bank of India governor Yaga Venugopal Reddy announced the Annual Monetary Policy, the main focus of the policy was to reign in price inflation.

Governor symbolically reduced the inflation target for 2007-08 to 5%, and indicated that the medium term tolerance zone for inflation is now lower at 4-4.5%. It may be mentioned that in the preceding year target for inflation fixed by RBI was 5-5.5% which was breached consistently after November 2006. Now the stance of the policy is clearly “greater emphasis on price stability and well-anchored inflation expectations and swift response with all appropriate measures to all situations impinging on inflation expectations and the growth momentum”. The highlights of this policy were :

a. Inflation

- Aims to contain inflation close to 5% for 2007-08.
- Socially “tolerable” rate of inflation has come down, and medium term perceptions for inflation is in the range of 4.0%-4.5%.

b. Growth

- Projection for GDP growth rate for 2007-08 is 8.5%.

c. Monetary measures

- M3 expansion to be contained at around 17.0-17.5 per cent during 2007-08.
- Repo, reverse repo, CRR and Bank Rate have been left unchanged
- Reiterated CRR of 6.5% effective from April 28, 2007.
- RBI kept the option to conduct overnight, long-term repo under LAF.

d. Infrastructure

- Infrastructure bottlenecks is the “single most constraint” in the economy
- Growth to be supported by gross domestic savings.
- Capacity addition in roads, highways delayed over last two years.
- Actual capacity utilisation of electricity lower in FY07.

e. Banking

- Worried over asset quality due to high loan growth rate.
- Defaults in credit cards, personal loans are rising and need to be contained.

f. Housing Loans

In addition, risk weight on the residential housing loans to individuals was reduced from 75% to 50% in respect of loans upto Rs.20 lakhs. This will result in making the housing loans upto Rs.20 lakhs somewhat cheaper.

g. Small Loans

RBI reduced 50%, the risk weight for loans of Rs.1 lakh against gold and silver ornaments as against the existing level of 125%.

h. Foreign Exchange Investment

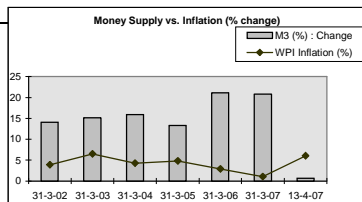
(i) RBI increased the transaction limit for individual investors from US\$ 50,000 a year to US\$ 100,000 a year. This would help increased participation of Indians in foreign markets

(ii) Mutual Funds which were allowed earlier to invest abroad upto US\$ 3 billion will now be able to invest abroad US\$ 4 billion in overseas avenue.

(iii) The Reserve Bank allowed greater flexibility in pre-paying External Commercial Borrowings (ECB) by Corporates upto US\$ 400 million from the present limit of US\$ 300 million.

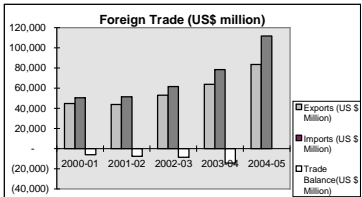
B. As a follow up of the policy stated earlier RBI announced on April 27, 2007 measures mainly to moderate the appreciating Indian rupee by increasing the ceiling on the market stabilization scheme (MSS) by another Rs.15,000 crore to Rs.110,000 crore. The announcement made by governor on April 24, 2007 when hike in the MSS ceiling was made by almost the same amount to Rs.95,000 crore, the underlying objective being to soak up rupee liquidity generated from the foreign inflows in the foreign exchange market.

Further, current outstanding of MSS stand at Rs.77,000 crore, and with increase in the limit the RBI would be in a position to drain about Rs.30,000 crore or US\$ 5-6 billion from the banking system by issuing bonds. It may mentioned that RBI has been keeping out of the market since mid-March 2007 when its interventions were in the nature of injecting more rupees in the banking system which in turn boosted the money supply and fueled inflation. Now this is an indication that RBI would stand ready to intervene in the foreign exchange market whenever the need arises.



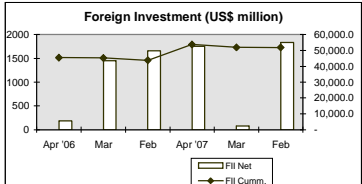
	31-3-02	31-3-03	31-3-04	31-3-05	31-3-06	31-3-07	13-4-07
M3 (Rs. Crore)	14,98,355	17,25,222	20,03,102	22,53,938	27,29,535	32,96,919	33,21,485
M3 (%) : Change	14.1	15.14	15.95	13.30	21.10	20.79	0.70
WPI (Index) All Commodities@	161.8	172.30	180.30	189	196.6	198.7	210.80
WPI Inflation (%)	3.92	6.49	4.29	4.83	2.91	1.06	6.06

Source: RBI Bulletin, March 2007; WSS: April 27, 2007 #1993-94=100@year/month-end; @ April 06, 2006 *April 13, 2007



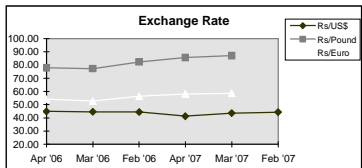
During the Year	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	April 06-Feb 2007
Exports (US \$ Million)	44,560	43,827	52,719	63,843	83,536	103,091	109,127
Imports (US \$ Million)	50,537	51,413	61,412	78,149	111,517	149,166	164,985
Trade Balance (US \$ Million)	(5,977)	(7,586)	(8,693)	(14,306)	(27,981)	(46,075)	(55,858)

Source: RBI Bulletin, January 2007; Revised figures for 2000-01 to 2005-06 (April-March) *DGCI&S data for April 2006 to February 2007 (Provisional)



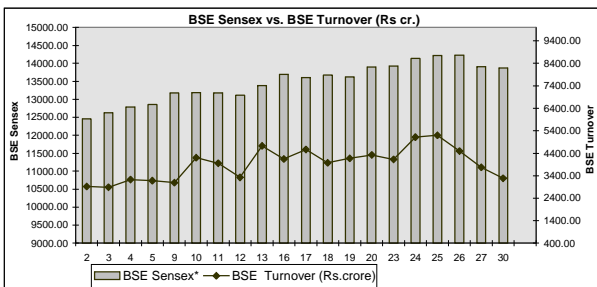
	2005-06 (US\$ million)			2006-07 (US\$ million)		
	Apr '06	Mar '06	Feb '06	Apr '07	Mar '07	Feb '07
FI Net	185.5	1,450.2	1,659.5	1,752.0	81.5	1,833.6
FI Cum.	45,443.9	45,258.7	43,808.5	53717.7	51965.7	51884.2

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



	2005-06			2006-07		
	Apr '06	Mar '06	Feb '06	Apr '07	Mar '07	Feb '07
Rs/US\$	44.97	44.61	44.43	41.29	43.59	44.31
Rs/Pound	81.04	77.80	77.31	82.30	85.53	86.96
Rs/Euro	56.41	54.20	52.63	56.20	58.14	58.58

Figures are for month-end



April 2007	BSE Sensex* Close	BSE Turnover (Rs.crore)
Mar 30, 2007	13072.10	3011.00
2	12455.37	2924.00
3	12624.58	2890.00
4	12786.77	3231.00
5	12856.08	3182.00
9	13177.74	3093.00
10	13189.54	4202.00
11	13183.24	3954.00
12	13113.81	3325.00
13	13384.08	4729.00
16	13695.58	4145.00
17	13607.04	4565.00
18	13672.19	3978.00
19	13619.70	4171.00
20	13897.41	4321.00
23	13928.33	4124.00
24	14136.72	5116.00
25	14217.77	5200.00
26	14228.88	4490.00
27	13908.58	3771.00
30	13872.37	3282.00



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

Country	Interest rates, (%)		CPI (percentage change)		Currency unit per US \$		Union Budget (+) / (-) % of GDP 2007	Real Rate (Short-term) (1-3)	Currency unit per Euro 21.03.07	Balance Latest :12 months		Col 11 as Percentage of GDP 2007
	3-month latest	10-year gov't bonds latest	Latest	A Year ago	As on 18.04.07	A Year ago				Trade Account (US\$ bn)	Current Account (US\$ bn)	
	1	2	3	4	5	6	7	8	9	10	11	12
Euro-11	3.98	na	1.90	2.20	0.74	0.81	-1.00	2.08	1.00	-6.2	-17.3	-0.1
			Mar							Feb	Jan	
U. S. A.	5.19	4.65	2.80	3.40	1.00	1.00	-1.60	2.39	1.35	-825.2	-856.70	-6.1
			Mar							Feb	Q4	
Britain	5.63	5.03	**13.1	1.80	0.50	0.56	-2.70	2.53	0.68	-154.8	-80.10	-3.0
			Mar							Feb	Q4	
Japan	0.57	1.70	-0.2	-0.10	118.00	118.00	-4.70	0.77	159.46	84.0	173.90	4.1
			Feb							Feb	Feb	
Sweden	3.26	4.03	1.90	0.70	6.78	7.54	2.90	1.36	9.16	20.3	28.40	6.6
			Mar							Feb	Q4	
Switzerland	2.31	2.72	0.20	1.00	1.21	1.27	1.20	2.11	1.64	10.3	106.10	15.3
			Mar							Feb	Q4	
India	7.33	8.33	7.60	4.90	42.00	45.00	-4.30	-0.27	56.76	-56.1	-10.00	-2.3
			Feb							Feb	Q4	

Source: The Economist London, April 21-27, 2007

Figures in Column 9 are derived.

**RPI Inflation rate 4.8% in March

Annexure 2 : Important Economic Indicators for Select Emerging Market Countries

Country	Interest rates, (%)		CPI (percentage change)		Currency unit per US \$		Union Budget (+) / (-) % of GDP 2007	Real Rate (Short-term) (1-3)	Currency unit per Euro 21.03.07	Balance Latest :12 months		Col 11 as Percentage of GDP 2007
	3-month latest	10-year gov't bonds latest	Latest	A Year ago	As on 18.04.07	A Year ago				Trade Account (US\$ bn)	Current Account (US\$ bn)	
	1	2	3	4	5	6	7	8	9	10	11	12
China	2.90	3.42	3.3	0.8	7.72	8.01	-1.6	-0.40	10.43	200.9	160.8	7.6
			Mar							Mar	2005	
Hongkong	4.30	4.13	0.8	1.2	7.81	7.75	1.9	3.50	10.55	-16.9	20.2	9.4
			Feb							Feb	Q4	
Indonesia	8.98	6.29	6.5	15.7	9075	8905	-1.1	2.48	12263.51	40.1	9.6	1.2
			Mar							Feb	Q4	
Malaysia	3.63	5.18	1.5	4.8	3.43	3.66	-3.3	2.13	4.64	29.3	22.2	12.9
			Mar							Feb	Q3	
Singapore	2.56	2.63	0.6	1.2	1.51	1.60	0.3	1.96	2.04	34.4	36.3	23.5
			Feb							Mar	Q4	
South Korea	4.95	5.02	2.2	2.0	929	946	0.4	2.75	1255.41	17.7	6.8	0.3
			Mar							Mar	Feb	
Taiwan	1.86	2.15	0.8	0.4	33.20	32.4	-2.3	1.06	44.86	14.1	25.2	5.9
			Mar							Mar	Q4	
Thailand	4.18	3.90	2.0	5.7	34.8	37.8	-1.4	2.18	47.03	3.4	4.6	1.9
			Mar							Jan	Jan	
Brazil	12.68	6.16	3.0	5.3	2.04	2.12	-2.2	9.68	2.76	45.5	14.1	0.7
			Mar							Mar	Feb	
Venezuela	10.09	6.55	18.5	12.1	3239	2515	-3.8	-8.41	4377.03	33.0	27.2	9.3
			Mar							Q4	Q4	
India	7.46	8.27	7.60	4.9	42.0	45.0	-4.3	-0.14	56.76	-56.1	-10.0	-2.3
			Feb							Feb	Q4	

Source: The Economist London, April 21-27, 2007

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