Update on Indian Economy

September 2007

Economic Snapshot

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Item	Units	August 2007	July 2007	August 2006	(%) Change [1] / [2]	[1]/[3]
		[1]	[2]	[3]	[4]	[5]
WPI -Index*	1993-94=100	213.1	212.6	204.7	0.24	4.1
WPI -Inflation**	Per cent	4.1	4.3	4.9		
	Week ended	(04.08.07)	08.07.07	12.08.06		
IIP (93-94=100)	2 months lag	257.3	264.2	234.0	(2.61)	9.96
		(June 07)	**(May 07)**	**(June 06)**		
INR / US$	Month End	40.96	40.44	46.55	1.29	(12.01)
M3	Rs. '000 Cr.	3489.81	3434.64	2880.36	1.61	21.16
[i] Agg.Deposits	Rs. '000 Cr.	2999.12	2936.83	2441.12	2.12	22.86
[ii] Currency	Rs. '000 Cr.	490.69	497.82	439.24	(1.43)	11.71
	(Outstanding as on)	(03.08.07)	(06.07.07)	18.08.06		
Call Money	% Range	2.50-6.75	0.01-4.75	5.25-6.25	-	-
(Lendings)	Week ended	(10.08.07)	(13.07.07)	18.08.06		

Source: RBI Weekly Statistical Supplement August 24, 2007 & Economic & Political Weekly August 18, 2007
**All Commodities. **Over the year.*

Editorial

A) Domestic

During the first quarter (April-June) of 2007-08, the index of industrial production (IIP) rose by 11.0 per cent as compared to 10.5 per cent in the same period last year. This is partly due to the acceleration in the double-digit growth rate during June 2007. The manufacturing sector grew by 11.9 per cent as compared to 11.7 per cent last year and because the weightage of the manufacturing sector in the index of industrial production is nearly 4/5th the overall index rose significantly. During this quarter, power generation recorded an increase of 3 percentage points to 8.3 per cent from 5.3 per cent. The growth rate of electricity generation improved considerably to 6.8 per cent from 4.9 per cent in the corresponding month last year. However, performance of the mining sector was relatively poor, the growth rate of which declined to 3.2% from 3.6% during April-June 2006.

According to the used based classification of the index of industrial production, the capital goods sector continued to record high growth rate of 22.3 per cent in the first quarter as against 21.0 per cent in the same period last year. The growth rate in basic goods segment worked out to 9.5 per cent in the first quarter which was nominally higher than the rate of 9.0 per cent in the same period last year. In the case of consumer goods the growth rate was 9.9 per cent in the first quarter as against 8.5 per cent in April-June 2006. This was in sharp contrast to the consumer durable sector, the growth rate of which declined to 3 per cent in the first quarter as against 15 per cent in the same quarter in 2006-07. Taking several sectors together the growth of industrial production mainly on the strength of the manufacturing sector reflected strong overall growth rate of industrial production. It is estimated that the growth rate of GDP during 2007-08 would turn out to be close to 9.0 per cent mainly because : (i) of the strong growth in industrial production, and (ii) even stronger growth in export.

B) International

According to the study made by Asian Development Bank, the inequality in many Asian countries is increasing which pose a potential risk socially and could lead to violent social behaviour. The widening gap between the rich and the poor is partly attributable to the globalisation which favours the well educated at the expense of not so skilled and unskilled workers. As a result, distribution of both income and wealth is becoming highly unequal and present danger to the sustained economic growth of Asian countries. According to the study incomes are most unequally distributed in Nepal emerging from a decade-old civil war, and China. The gap between rich and poor in China is growing and hurting anti-poverty efforts and possibly fuelling unrest.

Inequality is measured by what is called Gini coefficient in which zero (0) represents perfect equality, that is everyone has the same income unit, and unity (1) is perfect inequality i.e. one household takes everything. China's Gini coefficient rose from 0.41 in 1993 to 0.47 in 2004, the highest in Asia after Nepal.

On this measure, China has more income inequality than America whose Gini coefficient is 0.46. Governments in Beijing and elsewhere in Asia like to comfort themselves with the thought that they still have less inequality than Latin America does. Argentina, Brazil, Chile and Mexico all have considerably high Gini coefficients of over 0.5; Brazil's is 0.57. But what is noteworthy is that inequality has been rising in China; whereas in Brazil it has been falling during the past decade. Assuming this trend continues, China's inequality may be as great as that of Brazil's now.

Gini coefficients in Latin America are based on income; those in Asia are mainly based on expenditure because reliable income data are often not available. Using income data produces higher estimates of inequality in developing countries because it tends to understate the well-being of self-employed and agricultural workers, who are generally the poorest. Populist measures to soak the rich are not the answers in fact these would stunt growth. Instead the Asian Development Bank has recommended governments to focus on policies that lift the incomes of the poor, such as improving rural access to health, education and social protection. Rajiv Gandhi famously remarked that only 15% of government money intended for India's poor ever reached them. Most of it leaked through the bureaucratic incompetence or corruption, - fattening the wallets of those who are already well-to-do.

Though India's Gini coefficient is relatively low but the gulf between rich and poor has shown up in other ways. India has a lower Gini coefficient of 0.36, but among its poorest families as many as 28% of children are severely underweight compared with 5% for the richest households. India is a good illustration from the point of view of the impact of globalisation on income distribution. Wages for English-speaking graduates are rising faster while those for unskilled labourer are stagnating.

Capital Market Review

The 30-Share Sensex of BSE closed at 15550.99 on 31st July 2007 but during the subsequent weeks the index experienced high volatility; in fact on July 24th 2007, the sensex moved between a high of nearly 16,000 points to a low of under 14000 indicating the change of more than 10%. On days like August 1 2007 and August 16, 2007 the index dropped by over 600 points which created a panic among the market participants after a seemingly long bull run. The market sentiment has been undergoing dramatic changes; earlier it was the greed that worked to buy stocks when the market participants had an abiding feeling that scrip prices will continue to rise forever. Now with volatility and large downtrend the market clearly shows that there is a mix of greed and uncertainty caution which is forcing the stock holders to sell at the slightest uncertainty. Now the movement in the index clearly indicates that there is no sanctity in prices and that there is no bottom for this market.

The crisis in the earlier part of August 2007 when markets all over the world experienced declines which according to many researchers emanated from the crisis in subprime mortgages in U.S.A. led to huge losses. The real extent of the losses suffered by the US players is not yet known. According to some analysts, the reasons attributable to the volatile markets during the month of August 2007 were as follows :

- Losses led to selling of profitable assets like equity holding in emerging markets; others followed suit.
- Unwinding of the Yen trade, forced on investors as borrowings in Japan became expensive, led to more selling pressure.
- Hedge funds and FIIs sold shares in the Indian stockmarket to generate cash to pay to their shareholders.
- Has led to an overall global credit squeeze due to a fear psychosis.

	August 2007	July 2007	August 2006	July 2006	(%) Change		
					[1] /[2]	[1] / [3]	[2] / [4]
Major Indices	[1]	[2]	[3]	[4]	[5]	[6]	[7]
BSE Sensex – Close	15318.60 (31.08.07)	15550.99 (31.07.07)	11778.02 (31.08.06)	10743.88 (31.07.06)	(1.49)	30.06	44.74
Monthly High	15318.60 (31.08.07)	15794.92 (24.07.07)	11778.02 (31.08.06)	10,930.09 (12.07.06)	(3.02)	30.06	44.51
Monthly Low	13989.11 (21.08.07)	14664.26 (02.07.07)	10751.66 (01.08.06)	10,007.34 (19.07.06)	(4.60)	30.11	46.54
S&P CNX Nifty –Close	4464.00	4528.85	3413.90	3,143.20	(1.43)	30.76	44.08
P/E Ratio : BSE – 30	20.76	21.03	20.36	18.74	(1.28)	1.96	12.22
FII Investments (Equity+ Debt)							
Inflows – Rs. Cr.	57695.20	87331.60	28395.20	26967.3	(33.94)	103.19	223.84
Outflows – Rs. Cr.	63929.20	64722.30	22948.00	25670.3	(1.23)	178.58	152.13
Net – Rs. Cr.	(6233.70)	22609.40	5447.6	1297.4	(127.57)	(214.43)	1642.67
Cum. Net Inv–US$ Mn. (Month End)	59254.50	60797.00	45610.6	44438.2	(2.54)	29.91	36.81

During the month, the net cumulative asset holdings by FIIs declined by US$ 1.5 billion from US$ 60.8 billion in end July 2007 to US$ 59.3 billion in end August 2007.

However, on the last day of August when CSO released the GDP statistics Indian stock market bounced back when the sensex gained by 196.86 points from 15,121.74 on August 30 to 15,318.60 on August 31,2007 mainly on the strength of auto and metal stocks like Tata Motors, Reliance, etc.

Country – Japan

During his three days visit August 21 to 23rd 2007, the Japanese Prime Minister, Mr.Shinzo Abe and the Indian Prime Minister Dr. Manmohan Singh gave a press meeting on August 22nd, 2007 and the two countries India and Japan decided to increase bilateral trade to US$ 20 billion by 2010. According to the Commerce Ministry the trade in commodities between India and Japan was US$ 6.5 billion in 2005-06 and US$ 7.4 billion in 2006-07. (India's trade with Japan Annexure I; and Macro-Economic Indicators of Japan – Annexure II).

Further, the two countries have also agreed to have a Currency Swap Agreement that is likely to be signed before the year-end. Senior officials indicated that the Agreement, which is likely to be signed at the meeting of the central bank governors in Basel or Washington, would create a $3-billion fund. "The fund would be in a nature of a Balance of Payment adjustment facility. If either country gets into a BoP problem then the other country gives up to $ 3 billion to help the other."

The two sides also took on board the suggestions put forward by the meeting of the Business Leaders Forum. "The first meeting of the Forum was held on August 22, 2007 and their recommendations have been very insightful. I have instructed my officials to act on the recommendations to translate them into reality," Mr Abe said.

The Prime Minister also said that Japan could consider Yen loan for the dedicated freight corridor and also look at the possibility of providing funds for the studies being done for the viability of the Delhi-Mumbai Industrial Corridor.

During their discussions, the two Prime Ministers also decided to explore the creation of Japan Depository Receipts (JDRs) on the lines of the American Depository Receipts and global depository receipts. It was felt that JDRs could be a potential source of financing for private sector development in India, including the Delhi-Mumbai Industrial Corridor.

The present Japanese Prime Minister is the third one to address the Indian Parliament and indicated to assist India in infrastructure development particularly the Delhi-Mumbai and Delhi-Kolkata Dedicated Freight Corridors and Delhi-Mumbai Industrial Corridor. Addressing the MPs in Parliament, he favoured early conclusion of the Comprehensive Economic Partnership Agreement (CEPA) to push economic relations and raise the volume of bilateral trade to USD 20 billion in the next three years. Outlining the various fields in which the two countries can cooperate closely, the Japanese Prime Minister promised to help India in the field of energy by providing technology but there was no mention of nuclear power.

During the meeting the concept of "Broader Asia" was unveiled and the Japanese Prime Minister indicated the need for closer co-operation between his country and India in matters relating to defense, security and economic fields to create an "arc of freedom and prosperity" in the region.

Other Markets

Debt Market

Bank of Maharashtra was very active in the primary market with several issuances totalling Rs.425 crore during the month of July 2007. Also Bank of India issued perpetual bonds to the tune of Rs.400 crore while NABARD issued non-convertible debentures worth Rs.200 crore.

	Name of the Issuer	Rate %	Duration	Rating	Amount Rs. Crore	Type of Instrument
I.	**Bank**					
i)	Bank of Maharashtra	10.35	15 years	AA	200	Upper Tier II Bonds
ii)	Bank of Maharashtra	10.65	Perpetual	AA	225	Perpetual Bonds
iii)	Bank of India	10.55-11.05[a d]	Perpetual	AA+	400	Perpetual Bonds
iv)	Kotak Mahindra Bank	10.25	10 years & 10 months	AA+	20[b]	Bonds
v)	Punjab National Bank	10.40-10.90[a d]	Perpetual	AAA	250[e]	Perpetual Bonds
vi)	State Bank of Patiala	10.40-10.90[a d]	15 years	AAA	200	Non-convertible debentures
vii)	State Bank of Travancore	9.20	10 years	AAA	125	Lower Tier II Bonds
	TML Financial Services	9.80	3 years	AA+	100	Non-convertible debentures
viii)	Vijaya Bank	9.50	10 years	AA+	200	Bonds
II.	**NABARD**	8.40-8.60[c]	3 years	AAA	200	Non-convertible debentures
III	**Financial Services Companies**					
i)	Infrastructure Leasing Financial Services Ltd.	9.50 & 9.60 respectively	2 years (Rs.60 crore) & 3 yrs (Rs.20 crore)	AAA	100	Non-convertible debentures
ii)	PNB Housing Finance Ltd.	9.25	10 years	AA+	100	Bonds
iii)	Himachal Pradesh State Finance Corp.	9.20	10 years	NA	7.7	Bonds
iv)	Shriram Transport Finance Co.	11.10	3 years	AA	10	Non-convertible debentures
v)	IDFC Ltd.	8.75	3 years	AAA	125	Bonds
vi)	Citicorp Finance India	9.55	3 years	AAA	10	Non-convertible debentures

a. If call is not exercised
b. Green shoe option of Rs.25 crore
c. Through book building
d. Call option at the end of the10th year
e. Green shoe option of Rs.250 crore

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

Call Money Market

The call money market rate on August 10, 2007 in respect of borrowings ranged between 2.50% and 6.75% as compared to the rates of 5.25% - 6.20% on August 11, 2006 (i.e. a year ago) reflecting that there was only softening of the interest rates. The average daily turnover in the call money market was Rs.13,224 crore for the week ending August 10, 2007 and this daily turnover declined to Rs.11,853 crore in the week ending August 17, 2007.

Foreign Exchange Market

The exchange rate (RBI reference rate) on August 17, 2007 was Rs.41.57 per US dollar as compared to Rs.40.56 per US dollar on August 13, 2007, that is, a week ago; this reflected a small depreciation of the rupee vis-a-vis US dollar. Further, the six month forward premia was 1.32% on August 17, 2007 as compared to a premium of 1.92% on August 13, 2007 (a week ago), and this reflects that supply of dollars is likely to become relatively comfortable in the forthcoming weeks. The foreign currency assets were US$ 219.10 billion on August 17, 2007, and inclusive of gold and SDRs and the reserve position in the Fund, the foreign exchange reserves aggregated to US$ 226.45 billion. From end-March 2007, the foreign exchange reserves registered a rise of US$ 27.27 billion upto August 17, 2007. The market rate (buying) was Rs. 40.96 per US dollar on August 31, 2007. The RBI intervened occasionally into the market by buying dollars in a bid to curb the rise of rupee.

Important Policy Pronouncements

On the occasion of the 60th Anniversary of India's Independence, the Prime Minister, Dr.Manmohan Singh addressed the nation on August 15, 2007.

I. Highlights from the Text of his Speech are:

1. The building of a free, democratic India has been one of the greatest adventures of humankind this past century. In these sixty years we have done much and we have achieved much. Yet, we have some distance to travel before we can say that we have fulfilled Gandhiji's dream of wiping the last tear of the poorest of the poor. This remains our sacred duty as representatives of our people.

2. This Parliament has a very important role to play for attaining the national goals of development and progress. The representatives of our people have to ensure that all the institutions of our Republic - the legislature, the judiciary and the executive - are all responsive, accountable, transparent and honest in their functioning. This much we owe to our people and to all those who sacrificed their lives to give us our precious freedom sixty years ago."

3. We have kept our focus on giving a new deal to rural India. We have doubled the supply of credit for farmers, reduced its cost and, where farmers have been in distress, we have written off interest and rescheduled loans. We have helped increase farmers' income by raising substantially the support price for wheat and rice. Through Bharat Nirman, we are investing in rural connectivity – road, electricity and telephone connectivity. Bharat Nirman is our effort at bridging the urban rural divide.

4. This, I believe, is only a part of our total effort. There is more to be done and more will be done. In the coming years our main emphasis will be on agricultural development. We will soon launch a special programme to invest Rs 25,000 crore in agriculture, to enhance the livelihood of our farmers and increase food production. We will also focus on the needs of our farmers in dry and drought prone regions. I am touring a few states to personally review the agricultural situation across the country.

5. If employment generation is the best weapon against poverty, then industrialization is the most effective means to create new job opportunities. In the past 60 years, many parts of our country have benefited from industrial development. In the next decade I want to see every region of the country to similarly benefit from the growth of modern industry. We will pursue policies that will help in our country's rapid industrialization.

6. Industrialization would also mean urbanization. As more and more people live in urban areas, we need to have a more creative process of urbanization. This requires greater foresight in urban planning and development. Adequate compensation must be paid to those displaced and urban space must be used in an economical manner. We need to have adequate drainage facilities so that life in our cities does not come to a standstill during heavy rains. The day is not far off when half a billion people will be living in our cities and we need to prepare for that day.

7. Industrialization and urbanization will generate demand for first rate infrastructure. The expansion and modernisation of our highways, roads, railways and airports is visible proof of our efforts to meet this demand. Much more is needed and will be done.

8. We need to do much more to generate and distribute more power, more efficiently. Everyone should get good quality power at affordable prices. I appeal to state governments to take this matter seriously as a weak power situation can become a handicap in industrialization and job-creation.

9. The vast majority of our youth seek skilled employment after schooling. Last year I spoke the need for a Vocational Education Mission. Such a Mission is ready to be launched. We will soon launch a Mission through which we will open 1600 new industrial training institutes (ITIs) and polytechnics, 10,000 new vocational schools and 50,000 new Skill Development Centres. We will ensure that annually, over 100 lakh students get vocational training – which is a four-fold increase from today's level. We will seek the active help of the private sector in this initiative so that they not only assist in the training but also lend a hand in providing employment opportunities.

10. In order to promote science and professional education, we are setting up five new Indian Institutes of Science Education and Research, eight new Indian Institutes of Technology, seven new Indian Institutes of Management, and twenty new Indian Institutes of Information Technology. These will generate new educational opportunities for our youth. I am sure that, working together, we can ensure that at least a fifth of our children go to college as compared to one-tenth now.

II. Key Initiatives:

(a) Agriculture:

i. Special programme to invest at least Rs.25,000 crore in Agricultural Sector.
ii. Massive increase in public spending on Education, Health Care, Agriculture and Rural Development.

(b) Education:

i. Revolution in modern education - 6000 new good quality Government funded schools. Universalisation of Secondary Education on anvil. Centre to help States set up colleges in 370 districts, to raise gross enrolment ratio. 30 new Central Universities.

ii. Mission on Vocational Education and Skill Development – 1600 new Industrial Training Institutes and Polytechnics; 10,000 new Vocational Schools; 50,000 new Skill Development Centers. 100 lakh students to get Vocational Training – four fold increase from today's level.

(c) Industrialization :

i. New thrust to industrialization and planned urbanization.

(d) Employment:

i. National Rural Employment Guarantee Act to be implemented in the entire country.

ii. National policy for rehabilitation and resettlement on anvil.

(e) Pension:

i. To promote social security in unorganized sector - Old age pension scheme for senior citizens above age of 65 and below poverty line. Life and disability cover. New Health Insurance Scheme for poor to be launched.

(f) Environment:

i. National Campaign for Cleanliness to encourage community participation in neighbourhood improvement.

III. RBI : Policy Measures :

- On a review of the liquidity situation, the Reserve Bank increased the cash reserve ratio (CRR) maintained by banks by 50 basis points to 7.00 per cent. The CRR was raised with effect from the fortnight beginning August 4, 2007.

- The existing limit of US$ 50,000 per financial year for remittance by resident individuals under the Liberalised Remittance Scheme announced in February 2004 was enhanced to US$ 100,000 per financial year (April-March) for any permitted current or capital account transactions or a combination of both. All other transactions which are otherwise not permissible under FEMA and those in the nature of remittance for margins or margin calls to overseas exchanges / overseas counterparty are not allowed under the Scheme. **Banks are not permitted to extend any kind of credit facilities to resident individuals to facilitate remittances under the Scheme.**

- AD Category – 1 banks were permitted to make advance remittance up to US$ 1,000,000 (USD one million dollar) or its equivalent, without bank guarantee or an unconditional, irrevocable stand by Letter of Credit, for import of goods into India, subject to specified conditions. With a view to further liberalizing and simplifying the procedure for import of goods into India, it has been decided, as a sector specific measure, to allow airline companies, which have been permitted by the Directorate General of Civil Aviation to operate as a schedule air transport service, to make advance remittance without bank guarantee, up to US$ 50 million.

- **RBI to lend US$ 5 billion to Government infrastructure arm**
  The RBI will be lending US$ 5 billion (less than 2.5% of the foreign exchange reserve of the country) to the Government from the foreign exchange reserves of US$ 212 billion for improvement of infrastructure. The Government has assured a guaranteed return of more than 3.5% on this borrowing. In the recent months, the Government has been considering other innovative measures to ensure the flow of funds to the infrastructure sector.

- **RBI refuses 'credit wrap' for core sector projects**
  The RBI has opposed Finance Minister P. Chidambaram's budget proposed to use part of the foreign exchange reserves of over US$ 200 billion to provide 'credit wrap', or credit guarantee insurance, for financing, infrastructure projects, stating that the credit wrap proposal does not conform to section 17(12B) of the Reserve Bank of India Act, 1934. the clause concerned permits the RBI to give loans and advances in foreign currencies to financial Institutions to finance international trade and import of capital goods purchased for infrastructure projects.

  The RBI has also held that the India Infrastructure Initiative (Created by IIFCC, Blackstone Citigroup and IDFC) which has sought to bring US$ 3 billion through ECBs should park it outside India. The Finance Ministry, however, does not agree with the RBI's objections.

- **SEBI waives IPO lock-in for state infrastructure firms**
  Through an amendment in the SEBI Disclosure and Investor protection Guideline 2000, SEBI has eased the rules for Government-owned infrastructure companies seeking to raise funds through initial share offerings. The move will help Government companies such as PSUs, statutory authorities and special purpose vehicles (SPVs) set up by them to raise capital for their infrastructure development activities. The infrastructure sectors will include transportation, agriculture, water management, telecommunication, industrial and commercial development, power petroleum and Natural Gas, housing and other segments.

- **RBI allows FIIs to pledge foreign G-Secs as collaterals**
  FIIs can now have a bigger play in the Indian stock market due to the RBI having paved the way for them to have a higher leverage while investing in India. The central bank has cleared the operational hurdles for FII sot pledge foreign sovereign securities like US treasury bills for taking positions in futures and options. From now on, foreign portfolio managers can dip into their idle holdings of bonds issued by overseas governments to give margins against F&O trades in Indian stock exchanges. The FIIs appoint custodians (such as, foreign bank branches in India) which handle the trades on their behalf. The custodian does the settlement and the broker acts as an executor of the trade. FIIs can also have multiple custodians. Now, the custodians as well as the clearing corporation of the stock exchange have Demat accounts with depositories abroad.

- **RBI panel suggest norms to regulate money lenders**
  A technical committee set up by RBI has recommended model legislation to facilitate rural credit and regulate the moneylenders. Prime amongst the panel's recommendations is that advances made by institutional creditors including banks and financial institutions to accredited loan providers (ALPs) in rural areas, should be treated as priority sector lending. ALPs include moneylenders, input dealers, agriculture traders, commission agents, agriculture output processors, vehicle dealers or any other person considered to be a rural lender by these institutions. The RBI panel has suggested the inking of a formal MoU between institutional creditors and ALPs. The purpose of the committee's recommendations is to create a uniform template for moneylenders across the country, as they form a significant cause of financial distress among farmers.

IV. On August31, 2007 the Central Statistical Organisation (CSO) released the data on GDP for the first quarter (April-June) of 2007-08, the growth rate of GDP registered was 9.3% on the back of the robust performance in the manufacturing, construction and service sectors and a small improvement in the agricultural sector. However, as compared to the first quarter of 2006-07 when the growth rate was 9.6% this was slightly lower. According to the Finance Minister, Mr. P. Chidambaram the performance is quite satisfactory and he indicated that the Government would do everything to ensure a buoyant investment climate and hassle free credit to the productive sectors of the economy despite tight monetary policy pursued by the Reserve Bank. According to the Reserve Bank the economy is expected to grow by 8.5-9.0% during the fiscal 2007-08. Comparative picture of the gross domestic product during the first quarter of the three years from 2005-06 to 2007-08 is as follows :

	Gross Domestic Product for the First Quarter (April-June) of (Rs. Crore)			Change over Previous Year Q1 (Percentage)	
	2005-06	2006-07	2007-08	2006-07	2007-08
Agriculture, forestry & fishing	119681	123029	127669	2.8	3.8
Manufacturing	92278	103639	115965	12.3	11.9
Construction	41805	46207	51149	10.5	10.7
Trade, hotels, transport & communication services	154093	173205	193994	12.4	12.0
GDP at Factor Cost	603256	661335	723132	9.6	9.3

Annexure I : India's Trade with Japan : Exports & Imports

(US$ Million)

Year (April-March)	Exports to Japan (US $ mn)	Total Indian Exports (US $ mn)	Imports from Japan (US $ mn)	Total Indian Imports (US $ mn)	Share (percent) of total Indian: Exports to Japan	Share (percent) of total Indian: Imports to Japan	Total Trade with Japan (US $ mn) (1+3)	India's Total Trade (US $ mn) (2+4)
	1	2	3	4	5	7	8	9
1999-00	1685.4	36822.4	2535.8	49670.7	4.58	5.11	4221.2	86493.1
2000-01	1794.5	44560.3	1842.2	50536.5	4.03	3.65	3636.7	95096.8
2001-02	1510.4	43826.7	2146.4	51413.3	3.45	4.17	3656.8	95240.0
2002-03	1864.0	52719.4	1836.3	61412.1	3.54	2.99	3700.3	114131.5
2003-04	1709.3	63,842.6	2667.7	78,149.1	2.68	3.41	4377.0	141991.7
2004-05	2127.9	83,535.9	3235.1	111,517.4	2.55	2.90	5363.0	195053.3
2005-06	2481.7	103,090.5	4061.1	149,165.7	2.41	2.72	6542.8	245141.4
2006-07	2812.8	126,331.4	4590.8	190,566.0	2.23	2.40	7403.6	316,897.1

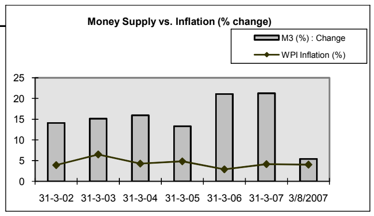
Source: RBI: (i) Handbook of Statistics on the Indian Economy 2004-05; (ii)RBI Bulletin, August 2007

Annexure II : Japan - Important Macro-Economic Indicators

(Percentage growth)

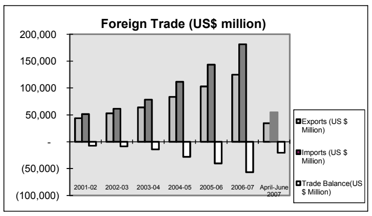
	2003	2004	2005	2006	Proj. 2007
1. Real GDP	1.4	2.7	1.9	2.2	2.6
2. Public consumption	2.3	1.9	1.7	0.4	0.8
Private consumption	0.4	1.6	1.6	0.8	1.7
3. Investment					
Public investment	-10.8	-9.0	-6.2	-7.4	-3.8
Residential investment	-1.0	1.9	-1.3	1.0	0.8
Nonresidential investment	4.4	5.6	6.6	7.5	4.4
4. Exports of goods and services	9.2	13.9	7.0	9.6	7.5
5. Imports of goods and services	3.9	8.1	5.8	4.5	2.8
6. Inflation					
(i) GDP deflator	-1.6	-1.1	-1.3	-0.9	-0.7
(ii) CPI (SA)	-0.2	0.0	-0.6	0.2	0.0
7. Current account balance (US$ billion)					
(i) Billions of U.S. dollars	136.2	172.1	165.7	170.4	181.7
(ii) Percent of GDP	3.2	3.7	3.6	3.9	4.2
8. General government balances (percent of GDP,FY)					
(i) Balance including social security	-7.7	-5.5	-4.3	-4.0	-3.5
(ii) Balance excluding social security	-7.9	-6.0	-4.5	-3.9	-3.5
(iii) Structural balance	-6.9	-4.9	-4.0	-3.9	-3.5
9. Exchange rate					
Yen/dollar rate	115.9	108.2	110.2	116.3	119.3
Yen/Euro rate	131.1	134.5	137.3	146.0	163.6
10. Interest rate					
3-month CD rate	0.09	0.06	0.06	0.22	0.55
10-year government bond yield	1.00	1.51	1.39	1.74	1.80

Source : Global Insight, Nomura database and IMF staff estimates and projections
IMF : PIN – August 06, 2007



	31-3-02	31-3-03	31-3-04	31-3-05	31-3-06	31-3-07	3/8/2007
M3 (Rs. Crore)	14,98,355	17,25,222	20,03,102	22,53,938	27,29,535	33,10,278	34,89,817
M3 (%) : Change	14.1	15.14	15.95	13.30	21.10	21.27	5.42
WPI (Index) All Commodites$$	161.8	172.30	180.30	189	196.6	204.8@	213.1@@
WPI Inflation (%)	3.92	6.49	4.29	4.83	2.91	4.17	4.05

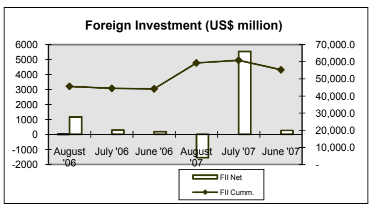
Source: RBI Bulletin August 2007; WSS: August 24, 2007 $$1993-94=100; year/month-end; @ August 05, 2006 @@August 04, 2007



During the Year	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	April-June 2007
Exports (US $ Million)	43,827	52,719	63,843	83,536	103,061	124,629	34,304
Imports (US $ Million)	51,413	61,412	78,149	111,517	143,433	181,368	54,909
Trade Balance(US $ Million)	(7,586)	(8,693)	(14,306)	(27,981)	(40,372)	(56,739)	(20,605)

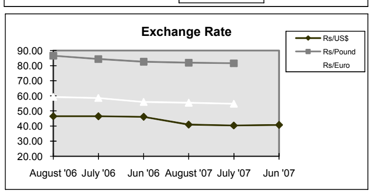
Source:RBI Bulletin, August 2007 : Revised figures for 2001-02 to 2006-07 (April-March)

**DGCI&S data for April 2006 to March 2007 (Provisional)*



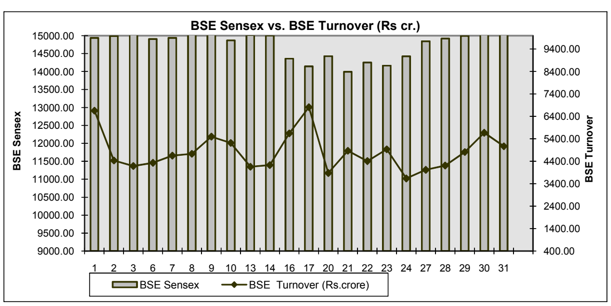
	2005-06 (US$ million)			2006-07 (US$ million)		
	August '06	July '06	June '06	August '07	July '07	June '07
FII Net	1,172.6	285.4	193.2	(1,542.4)	5,544.8	269.3
FII Cumm.	45,610.6	44,438.2	44,152.9	59,254.50	60,797	55,252.10

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



	2005-06			2006-07		
	August '06	July '06	Jun '06	August '07	July '07	Jun '07
Rs/US$	46.55	46.51	46.08	40.96	40.44	40.75
Rs/Pound	88.72	86.65	84.45	82.55	82.03	81.63
Rs/Euro	59.71	59.31	58.54	55.96	55.42	54.79

Figures are for month-end



August 2007	BSE Sensex Close	BSE Turnover (Rs.crore)
July 31,2007	15550.99	5298.00
1	14935.77	6656.00
2	14985.70	4435.00
3	15138.40	4186.00
6	14903.03	4328.00
7	14932.77	4647.00
8	15307.98	4732.00
9	15100.15	5495.00
10	14868.25	5221.00
13	15017.21	4158.00
14	15000.91	4232.00
16	14358.21	5647.00
17	14141.52	6810.00
20	14427.55	3878.00
21	13989.11	4867.00
22	14248.66	4404.00
23	14163.98	4936.00
24	14424.87	3632.00
27	14842.38	4017.00
28	14919.19	4207.00
29	14993.04	4815.00
30	15121.74	5668.00
31	15318.60	5071.00

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

Country	Interest rates, (%)		CPI (percentage change)		Currency unit per US $		Union Budget	Real Rate	Currency	Balance Latest :12 months		Col 11 as
	3-month latest	10-year gov't bonds latest	Latest	A Year ago	As on 22.08.07	A Year ago	(+) / (-) % of GDP 2007	(Short-term) (1-3)	unit per Euro 22.08.07	Trade Account (US$ bn)	Current Account (US$ bn)	Percentage of GDP 2007
	1	2	3	4	5	6	7	8	9	10	11	12
Euro-11	4.68	4.24	1.80	2.40	0.74	0.78	-0.70	2.88	1.00	24.1	-1.0	0.1
			Jul							Jun	Mar	
U. S. A.	5.24	4.63	2.40	4.10	1.00	1.00	-1.30	2.84	1.35	-823.4	-803.40	-5.8
			Jul							Jun	Q1	
Britain	6.57	5.09	1.90**	2.40	0.50	0.53	-2.70	4.67	0.68	-155.8	-93.00	-3.2
			Jul							Jun	Q1	
Japan	0.68	1.60	-0.20	0.50	115.00	117.00	-2.90	0.88	155.41	94.9	192.60	4.4
			Jun							Jun	Jun	
Sweden	3.53	4.21	1.90	1.70	6.95	7.18	2.40	1.63	9.39	19.5	29.80	6.8
			Jul							Jun	Q1	
Switzerland	2.87	2.83	0.70	1.40	1.21	1.23	0.30	2.17	1.64	11.1	102.10	16.1
			Jul							Jul	Q1	
India	6.71	8.26	5.70	7.70	40.90	46.50	-3.30	1.01	55.27	-67.7	-9.60	-1.4
			Jun							Jun	Q1	

Source: The Economist London: August 25th - 31st, 2007 *Figures in Column 9 are derived.*

***RPI Inflation rate 3.8% in July*

Annexure 2 : Important Economic Indicators for Select Emerging Market Countries

Country	Interest rates, (%)		CPI (percentage change)		Currency unit per US $		Union Budget	Real Rate	Currency	Balance Latest :12 months		Col 11 as
	3-month latest	10-year gov't bonds latest	Latest	A Year ago	As on 22.08.07	A Year ago	(+) / (-) % of GDP 2007	(Short-term) (1-3)	unit per Euro 22.08.07	Trade Account (US$ bn)	Current Account (US$ bn)	Percentage of GDP 2007
	1	2	3	4	5	6	7	8	9	10	11	12
China	3.25	4.28	5.6	1.0	7.60	7.97	-0.7	-2.35	10.27	238.7	249.9	10.7
			Jul							Jul	2006	
Hongkong	4.77	4.24	1.5	2.3	7.81	7.78	1.8	3.27	10.55	-19.6	23.8	10.1
			Jul							Jun	Q1	
Indonesia	8.17	7.25	6.1	15.2	9395.00	9100.00	-1.6	2.07	12695.95	42.1	10.3	2.2
			Jul							Jun	Q1	
Malaysia	3.62	5.06	1.6	4.1	3.48	3.68	-3.1	2.02	4.70	28.9	25.9	14.3
			Jul							Jun	Q1	
Singapore	2.77	2.79	2.6	1.1	1.52	0.30	1.57	0.17	2.05	37.0	41.6	24.0
			Jul							Jul	Q2	
South Korea	5.25	5.29	2.5	2.4	944.00	956.00	0.5	2.75	1275.68	19.4	5.2	0.3
			Jul							Jul	Jun	
Taiwan	2.55	2.42	-0.3	0.8	33.00	32.80	-2.0	2.85	44.59	12.3	28.3	6.1
			Jul							Jul	Q2	
Thailand	3.55	4.29	1.7	4.4	34.50	37.60	-1.9	1.85	46.62	9.3	11.1	2.3
			Jul							Jun	Jun	
Brazil	11.43	6.16	3.7	4.0	2.01	2.13	-2.4	7.73	2.72	45.0	15.0	0.8
			Jul							Jul	Jun	
Venezuela	11.14	6.55	17.2	13.5	2147.00	2659.00	-3.7	-6.06	2901.35	28.2	20.4	9.8
			Jul							Q1	Q2	
India	6.71	8.26	5.70	7.70	40.90	46.50	-3.3	1.01	55.27	-67.7	-9.6	-1.4
			Jun							Jun	Q1	

Source: The Economist London: August 25th - 31st, 2007

The Research Group : Prof. Poonam Kumar & Dr. D.K. Bhatia
For research queries contact –
Mega Ace Consultancy [India] Private Limited,
B-68, Mittal Tower, Nariman Point, Mumbai 400 021
Tel : +91-22-2281 2298
Fax: +91-22-2281 2305
Ur l: www.mega-ace.com
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