



Update on Indian Economy

January 2008

Economic Snapshot

Contents	Item	Units	December	November	December	(% Change	
			2007	2007	2006	[1] / [2]	[1]/[3]
			[1]	[2]	[3]	[4]	[5]
- Editorial	WPI -Index*	1993-94=100	216.0	215.6	208.2	0.19	3.7
- Capital Market	WPI -Inflation**	Per cent	3.7	3.1	5.3		
- Climatic Change		Week ended	(01.12.07)	(03.11.07)	(02.12.06)		
- Other Markets	IIP (93-94=100)	2 months lag	261.5	259.1	237.7	0.93	10.01
- Important Policy Pronouncements			(Oct.07)	(Sept.07)	(Oct.06)		
	INR / US\$	Month End	39.41	39.67	44.23	(0.66)	(10.90)
	M3	Rs. '000 Cr.	3682.40	3671.50	3029.38	0.30	21.56
	[i] Agg.Deposits	Rs. '000 Cr.	3152.21	3142.26	2568.40	0.32	22.73
	[ii] Currency	Rs. '000 Cr.	530.20	529.24	460.98	0.18	15.01
		(Outstanding as on)	(07.12.07)	(09.11.07)	(08.12.06)		
	Call Money	% Range	3.50-7.90	4.00-8.00	5.00-8.50	-	-
	(Lendings)	Week ended	(07.12.07)	(09.11.07)	15.12.06		

Source: RBI Weekly Statistical Supplement December 21, 2007 & Economic & Political Weekly December 22, 2007

*All Commodities. **Over the year.

Editorial

A) Domestic

The target for the Eleventh Five year plan is to raise the economic growth rate to 9% from 7.6% realised in the 10th plan. The annual growth rate during the last two years has been 9.0 per cent in 2005-06, and 9.4 per cent in 2006-07. Recently an independent report bought out by the Lehman Brothers indicated that India could achieve a growth rate of 10 per cent. The moderate target of achieving the growth rate of 9% is just right provided the inflation rate is held under control. The major objective of the monetary policy continues to be control of inflation and at the same time promote growth activities. In the Indian case, the economy has reached a higher plateau of growth rate but the inflation continues to be worrisome because as much as 70% of the crude oil consumption comes from imports; the price of the crude oil is not in the hands of Indian importers but is internationally determined. In recent times, the international price of crude oil has gone up to US\$ 95 per barrel and touched a high of US\$ 100 per barrel. Though lately it moderated slightly, nevertheless its impact on Indian inflation continues to remain cause for concern for policy makers.

On the real side, the growth rate in agriculture is proposed to be increased to 4 per cent and once this is done, it would be possible to achieve high growth rate both in manufacturing and infrastructure industries through linkage effects. Having regard to the macroeconomic trend the year 2007-08 may witness GDP growth rate somewhat lower than 9.0 per cent or at best in the range of 8.75-9.0 per cent.

B) International

The month of December 2007, witnessed the crude oil prices rising to more than US\$90 but heading toward \$100 a barrel which presents a major concern for policy makers in the developing countries such as India. Though average petroleum spot price (APSP) reached a new high of over \$93 on November 7, 2007 and around the same time benchmark prices in oil recorded highs with West Texas Intermediate closing at almost \$97, Brent at \$94, and Dubai at almost \$89. In fact, on December 27, 2007 the Brent crude price was US\$ 94.24 per barrel.

The recent oil price surge has been sparked by geopolitical concerns from growing tensions in the Middle East, limited spare oil production capacity and declining inventories. The result is that prices have become more sensitive to the news which may indicate possible shortages of future supplies. The increased prices has also been aided by the weakening of dollar in an environment when spare capacity remains low and market conditions continue to remain tight.

Because of the slowing of US economy, the global demand for oil, notwithstanding oil demand projections being revised recently downward by the International Energy Agency (IEA). However, the demand is likely to remain strong in 2008. In contrast, supply has lagged behind and inventories are falling. According to the latest IMF Survey, during the first nine months of 2007, world oil supply has declined moderately by 0.1 millions of barrels per day (year-on-year), because of the decline in OPEC's output and limited output growth in oil-producing countries which are not members of OPEC. As a result, commercial inventories in OECD countries declined in the third quarter and October 2007, which is a period normally when inventory accumulation takes place. The macro economic impact of the oil price till today has not had much adverse impact on global economic activity and inflation, but for developing countries, in particular, experiencing relatively strong economic growth there could be rise in nonfuel commodity prices. The impact of higher oil prices could affect adversely the trade balances of many countries and would boost headline inflation in the coming months due largely to volatile food and energy price components in the inflation.

Capital Market Review

During the month the Federal Reserve Chairman Ben S Bernanke cut the US key rate by 25 basis points in order to boost the growth, the impact of which was on the Asian markets including India which boosted the Sensex. During the month the Sensex rose from 19363.19 on November 30, 2007 to 20286.99 on December 31, 2007 the last trading day of the month.

While the overall index maintained a moderate uptrend but the concern about volatility remained. State Bank of India rose after it got approval for its first sale of new shares in more than a decade Though Indian software companies get more than half of their sales revenue from the US but the impact of exchange rate leading to appreciation of the rupee kept the overall revenues of the software companies such as Infosys, TCS, Wipro, Satyam Computers prevented their revenues increasing faster.

On the strength of the growth of the infrastructure, cement companies reported large gains and in particular ACC and Grasim. This month the market was agog with rumours about mergers and acquisitions in general specially the merger of Deccan Aviation and Kingfisher airlines, and deal of JV Tata and Jaguar. Banking stocks especially HDFC Bank alongwith reality, auto and metal stocks remained in the limelight.

	December	November	December	November	(% Change)		
	2007	2007	2006	2006	[1] / [2]	[1] / [3]	[2] / [4]
Major Indices	[1]	[2]	[3]	[4]	[5]	[6]	[7]
BSE Sensex – Close	20286.99 (31.12.07)	19363.19 (30.11.07)	13786.91 (29.12.06)	13696.31 (30.11.06)	4.77	47.15	41.38
Monthly High	20375.87 (12.12.07)	19976.23 (02.11.07)	13972.03 (07.12.06)	13773.59 (27.11.06)	2.00	45.83	45.03
Monthly Low	19079.64 (18.12.07)	18526.32 (22.11.07)	12995.02 (12.12.06)	13033.04 (01.11.06)	2.99	46.82	42.15
S&P CNX Nifty –Close	6138.60	5762.75	3966.40	3954.50	6.52	54.77	45.73
P/E Ratio : BSE – 30	27.60	26.20	22.76	22.69	5.34	21.27	15.47
FII Investments (Equity+ Debt)							
Inflows – Rs. Cr.	91023.80	88510.50	44207.10	54858.80	2.84	105.90	61.34
Outflows – Rs. Cr.	82132.70	94829.50	46972.90	44672.60	(13.39)	74.85	112.28
Net – Rs. Cr.	8891.10	(6319.2)	(2766)	10186.50	(240.70)	(421.44)	(162.04)
Cum. Net Inv–US\$ Mn. (Month End)	69954.30	67750.30	50420.60	51019.70	3.25	38.74	32.79

IFCI has been thinking of roping in a strategic partner through private placement of 26 per cent of its equity but the long negotiations resulted in a major road block with only one bidder - the consortium of Sterlite Industries and Morgan Stanley which are qualified but this company has sought management control to which no agreement has yet been reached. This consortium of Sterlite Industries and Morgan Stanley has submitted the bid of Rs.110 per share, there were other bidders too but since their bid ranged from Rs.78 to Rs.85 per share which were below the average price of Rs.107 per share these bids were rejected. It is still not known as to how the sale of 26% of the equity of IFCI could come about.

During the month of December 2007, the cumulative net investment made by FIIs increased from US\$ 67.8 billion to US\$ 70.0 billion registering a rise of US\$ 2.2 billion indicating that a part of the support to the market was provided by the FIIs.

Climatic Change : UN Summit at Bali

Introduction

United Nation's Conference on Climate Change was held in Bali (Indonesia) for two weeks, (December 3rd to December 14, 2007) where more than 10,000 delegates representing over 180 countries together with observers met and discussed the issues relating to global warming and fight successfully the climatic changes. During the two weeks, the first was spent on discussion of papers presented by the Parties to the UN Framework Convention on Climate Change (UNFCCC), its subsidiary bodies as well as those belonging to the Kyoto Protocol. The second week was spent, in the ministerial discussions leading to concluding of the Conference.

The Conference culminated in the adoption of the **Bali Roadmap**, which charts the course for a new negotiating process to be concluded by 2009 that will ultimately lead to a post 2012 international Agreement on climate change. Ground-breaking decisions were taken which form the core elements of the roadmap. They include the launch of the Adaptation Fund as well as decisions on technology transfer, and on reducing emissions for deforestation. These decisions represent various tracks that are essential to achieving a secure climate future in the future.

II. International : Bali decisions

The countries meeting in Bali agreed to launch negotiations towards crucial issues for strengthening and fighting the adverse impacts of international climate change. The decisions include a clear agenda for the key issues to be negotiated up to 2009. These are : action for adapting to the negative consequences of climate change, such as droughts and floods; ways to reduce greenhouse gas emissions; ways to widely deploy climate-friendly technologies and financing both adaptation and mitigation measures. Concluding negotiations in 2009, will ensure that the new deal can enter into force by 2013, following the expiry of the first phase of the Kyoto Protocol.

1. Adaptation

Governments decided that funding for adaptation projects in developing countries, financed by the Kyoto Protocol's clean development mechanism (CDM), would begin under the management of the Global Environment Facility (GEF). This ensures that the Adaptation Fund will become operational in an early stage of the first commitment period of the Kyoto Protocol (2008-2012).

2. Technology

The Bali Conference also made important progress on the issue of technology, one of the key concerns of developing countries. Governments agreed to kick start strategic programme to scale up the level of investment for the transfer of both the mitigation and adaptation technologies that developing countries need.

Parties also agreed to extend the mandate of the Expert Group on Technology Transfer for the further five years. The Expert Group has been asked to pay particular attention to the assessment of gaps and barriers to the use of, and the access to, financing resources.

3. REDD

“Reducing emissions from deforestation in developing countries” (REDD) was a key issue at Bali. Parties affirmed the urgent need to take further meaningful action to reduce emissions from deforestation and forest degradation and adopted a work programme for further methodological work.

4. IPCC

Parties agreed to recognise that the Fourth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC) is the most comprehensive and authoritative assessment of climate changes to date.

5. Clean Development Mechanism (CDM)

Small-scale afforestation and reforestation : Parties agreed to double the limit in size of small-scale afforestation / reforestation project activities to 16 kilotonnes of CO₂ per year. This move will expand the number and geographical reach of the CDM to countries that have thus far been unable to take part in the mechanism for this category of project activities.

6. Carbon Capture and Storage

Parties for the first time considered the possible inclusion of carbon capture and storage (CCS) in geological formations as CDM project activities. They agreed to do further work on this and established a workplan for 2008. The plan will include receiving and considering inputs on technical, legal, policy and financial topics associated with CCS.

This input will be considered at the next Climate Change Conference in Poznan next year. CCS is widely regarded as an important technology to enable the continued use of fossil fuels in a clean way.

7. Least developed countries

Parties agreed to extend the mandate of the Least Developed Countries (LDCs) Expert Group. This group provides critical advice to LDCs in assessments of adaptation needs. It is universally accepted that it is critical that LDCs are supported in assessing their adaptation needs because of their low adaptive capacity.

III Stern Review

The issue of Climatic Change has gathered momentum by release of Report on October 30, 2006 prepared by Nicolas Stern, an economist for the British government, called “**The Stern Review on the Economics of Climate Change**”, and this Report runs into 700-page.

Its main conclusions are that one percent of global gross domestic product (GDP) per annum is required to be invested in order to avoid the worst effects of climate change, and that failure to do so could risk global GDP being up to twenty percent lower than it otherwise might be. Stern’s Report suggests that climate change threatens to be the greatest and widest ranging market failure ever seen, and it provides prescriptions including environmental taxes to minimize the economic and social disruptions. In the Report it is stated, “our actions over the coming few decades could create risks of major

disruption to economic and social activity, later in this century and in the next, on a scale similar to those associated with the great wars and the economic depression of the first half of the 20th century.”

This Report make greater efforts to assess the costs and benefits of climate change mitigation and adaptation, and urges immediate action to be taken to mitigate the climate change. The key messages of the Report are :

- (a) Climate change threatens the basic elements of life for people around the world – access to water, food, health and use of land and the environment. On current trends, average global temperatures could rise by 2-3 degree Celsius, within the next fifty years or so, leading to many severe impacts, often mediated by water, including more frequent droughts and floods.
- **Melting glaciers** will increase flood risk during the wet season and strongly reduce dry-season water supplies to one-sixth of the world’s population, predominantly in the Indian sub-continent, parts of China, and the Andes in South America.
 - **Declining crop yields**, especially in Africa, are likely to leave hundreds of millions without the ability to produce or purchase sufficient food – particularly if the carbon fertilisation effect is weaker than previously thought, as some recent studies suggest. At mid to high latitudes, crop yields may increase for moderate temperature rises (2 – 3 degree Celsius), but then decline with greater amounts of warming.
 - **Ocean acidification**, a direct result of rising carbon dioxide levels, will have major effects on marine ecosystems, with possible adverse consequences on fish stocks.
 - **Rising sea levels** will result in tens to hundreds of millions more people flooded each year with a warming of 3 or 4 degree Celsius. There will be serious risks and increasing pressures for coastal protection in South East Asia (Bangladesh and Vietnam), small islands in the Caribbean and the Pacific, and large coastal cities, such as Tokyo, Shanghai, Hong Kong, Mumbai, Calcutta, Karachi, Buenos Aires, St. Petersburg, New York, Miami and London.
 - Climate change will increase worldwide deaths from **malnutrition and heat stress**. Vector-borne diseases such as malaria and dengue fever could become more widespread if effective control measures are not in place. In higher latitudes, cold-related deaths will decrease.
 - By the middle of the century, 200 million more people may become **permanently displaced** due to rising sea levels, heavier floods and more intense droughts, according to one estimate.
 - **Ecosystems** will be particularly vulnerable to climate change, with one study estimating that around 15-40 per cent of species face extinction with 2 degree Celsius of warming. Strong drying over the Amazon as predicted by some climate models, would result in dieback of the forest with the highest biodiversity on the planet.
- (b) The consequences of climate change will become disproportionately more damaging with increased warming. Higher temperatures will increase the chance of triggering abrupt and large-scale changes that lead to regional disruption, migration and conflict.

- Warming may induce **sudden shifts in regional weather patterns** like the monsoons or the El Nino. Such changes would have severe consequences for water availability and flooding in tropical regions and threaten the livelihoods of billions.
- **Melting or collapse of ice sheets** would raise sea levels and eventually threaten at least 4 million kilometres of land, which today is home to 5 per cent of the world's population.

As the review states : “People will feel the impact of climate change most strongly through distribution of water around the world and its seasonal and annual variability.”

At an average global temperature increase of 2-3 degree Celsius, the water related impacts of climate change will be :

1. Disappearance of small mountain glaciers – and their contribution to base flow in streams – worldwide
2. Significant changes in water availability resulting in major regional scarcity problems, particularly in Africa. This includes a “greater than 30% decrease in runoff in the Mediterranean and Southern Africa”
3. “Rising intensity of storms, forest fires, droughts, flooding and heat waves.”

IV. IMF on Climatic Change

The global average temperature increased by about 0.7 degree Celsius between 1906 and 2005, and existing greenhouse gases are expected to cause further increases in the coming decades. The Noble Peace Prize-winning Intergovernmental Panel on Climate Change projects that – without any policy response – emissions will lead to average global temperature increase of between 1.1 degree Celsius and 6.4 degree Celsius by 2100. The greatest increases in temperature are projected for the northern parts of North America, Europe and Asia, with smaller – but still sizable – increase in tropical areas.

Several, more specific, climate effects are expected. The global pattern of rainfall is likely to change, with many already dry areas expected to become even drier. There are further possible effects on rainfall in many tropical zones as well as on seasonal patterns, potentially affecting the livelihoods of large human populations, and critical natural resources. Flood risk is projected to increase due to more intense rainfall and sea-level rise. The frequency and / or severity of extreme weather events, including hurricanes, floods, heat waves, and droughts, are expected to increase, most seriously in Africa, Asia and the Caribbean.

Beyond these effects, there may exist “tipping points,” which, if passed, would result in more dramatic and irreversible climate effects. These include the potential for rapid glacial melting, reversal of the Gulf Stream, and large-scale tundra thawing in Canada, China and Russia.

As the climate change is likely to have an adverse impact on economic growth over the long run and to set back our efforts to help the poorest countries. The international committee together with the countries that are affected have to take decisive action to cut greenhouse gas emissions and adapt to the impact of their accumulation and to adopt measures to fight the adverse impact. The IMF has visualised the main economic challenges which are enumerated below :

First, there will be direct negative impacts on output and productivity in many countries. **Second**, the achievement of development goals may be jeopardized by deteriorating fiscal positions as a result of weakening traditional tax bases and increased expenditure on some aspects of mitigation and adaptation.

Third, there will be economic costs to households and firms arising from efforts to mitigate carbon emissions, for example as a result of higher energy prices and increased investment requirements (including those designed to reduce exposure to climate risks).

Fourth, there may be balance of payments problems in some countries owing to reduced exports of goods and services, such as agricultural products, fish and tourism and perhaps also from the increased need for food and other essential imports.

Finally, there exists a range of contingent risks to social and economic stability as a result of climate change.

V India's Initiative

India has taken seriously the UN reports on the climate change and has set up high level panel to tackle impact of global warming. The **first** report of the Nobel award winning Inter-Governmental Panel on Climate Change (IPCC) rang the alarm bells predicting that temperatures in the next century are expected to go up by 2.5 to 4.5 degrees Centigrade and that India, along with developing countries, will face a serious shortage of water and threat to food security.

In the midst of a grim scenario painted by IPCC, a council headed by Prime Minister, Dr Manmohan Singh will act as a think-tank to decide on India's future course of action in the short term as well as after 2012 when the Kyoto Protocol expires.

A three-member sub-committee to be headed by Nobel laureate and IPCC Chief RK Pachauri will submit its report by early next year. The report will assume significance globally as India has been rated as the 4th largest carbon emitter after the United States, Australia and China.

India's per capita emissions of GHG, a formulation connected to climate change, is 1/20th of USA, 1/15 of EU-15 and 1/12th of Japan.

With a 17 per cent share of the global population, the emissions from India are not high in percentage terms, but they have already started showing their immediate effects on the weather, experts say.

Subsequently, while addressing the 95th Indian Science Congress on January 03, 2008, Prime Minister Dr. Manmohan Singh indicated that India has adopted a "pro-active and pragmatic approach" to the problem of environmental degradation and said that "We cannot replicate the western model of wasteful consumption and environmental harmful industrialization". In fact, we need a global response, a national response and a local response.

Other Markets

Debt Market

In November 2007, corporate issuances were muted. The largest player was NABARD, with a Rs.665 crore issue of bonds. The other large issuers were LIC Housing Finance Ltd. and Punjab National Bank with issues worth Rs.300 crore each, the latter being perpetual bonds. Other issues came from State Bank of Mysore, Tamil Nadu Electricity Board and Export-Import Bank of India.

	Name of the Issuer	Rate %	Duration	Rating	Amount (Rs. Crore)	Type of Instrument
I.	Banks					
i)	Export-Import Bank of India	9.10	3 years	AAA	250	Bonds
ii)	Punjab National Bank	9.75 ^b	Perpetual ^c	AAA	300	Perpetual Bonds
iii)	State Bank of Mysore	9.80 ^b	Perpetual ^c	AAA	160	Perpetual Bonds
II.	NABARD	9.15	3 years	AAA	665	Bonds
III.	Financial Service Institutions					
	LIC Housing Finance Ltd.	9.35	7 years ^a	AAA	300	Bonds
IV.	Tamil Nadu Electricity Board	8.45	7 years ^a	A	200	Bonds

a. With a put and call option at the end of the 5th year.

b. With an increase of 50 bps if call is not exercised.

c. Call at the end of 10th year

(Source : Credit Analysis & Research Ltd., December 2007)

Call Money Market

The call money market rate on December 07, 2007 in respect of borrowings ranged between 3.50% and 7.90% as compared to the rates of 5.00% - 7.00% on December 08, 2006 (i.e. a year ago) reflecting that there was moderate softening of the interest rates. The average daily turnover in the call money market was Rs.7,256 crore for the week ending December 07, 2007 and this daily turnover increased to Rs.8,783 crore in the week ending December 14, 2007.

Foreign Exchange Market

The exchange rate (RBI reference rate) on December 14, 2007 was Rs.39.35 per US dollar as compared to Rs.39.38 per US dollar on December 10, 2007, that is, a week ago; this reflected a nominal appreciation of the rupee vis-a-vis US dollar. Further, the six month forward premia was 2.03% on December 14, 2007 as compared to a premium of 1.65% on December 10, 2007 (a week ago), and this reflects that supply of dollars is likely to become relatively tight in the forthcoming weeks. The foreign currency assets were US\$ 264.16 billion on December 14, 2007, and inclusive of gold and SDRs and the reserve position in the Fund, the foreign exchange reserves aggregated to US\$ 272.95 billion. From end-March 2007, the foreign exchange reserves registered a rise of US\$ 73.78 billion upto December 14, 2007. The market rate (buying) was Rs.39.44 per US dollar on December 31, 2007. The RBI intervened occasionally into the market by buying dollars in a bid to curb the rise of rupee.

Important Policy Pronouncements

The national development council met on 19th December 2007 to approve the Eleventh Five-Year Plan under the Chairmanship of Prime Minister Dr Manmohan Singh; the Plan aims to steer the country's economic growth over the next five years. The highlights of the Eleventh Five-Year Plan (2007-2012) :

Overall

Eleventh Five-Year Plan seeks to raise the economic growth rate to 9 per cent from 7.6 per cent in the Tenth plan (2002-07).

- The Gross Budgetary Support, which is the Centre's support to the Plan, has been fixed at Rs.14,21,711 crore, up from Rs.8,10,400 crore in the previous plan.
- In order to make the growth more inclusive, the Eleventh Plan proposes to increase the agri-culture sector growth rate to 4 per cent from 2.13 per cent in the Tenth Plan.
- The growth targets for industry and services sector have been pegged at 9 and 11 per cent respectively. The industrial growth rate in the Tenth Plan was 8.74 per cent, while the services sector grew by 9.28 per cent.
- The draft document has envisaged a savings rate of 34.8 per cent, which is substantially higher than 30.8 per cent recorded in the Tenth Plan.
- The draft of the Eleventh Plan envisaged an investment of Rs.36,00,000 crore.
- The investment rate, which is crucial to the success of the plan, is proposed to be raised to 36.7 per cent from 30.8 per cent in the previous plan.
- It also aims to further push foreign direct investment (FDI) into the country setting the target of \$48.3 billion by 2011-2012.
- The Eleventh Plan seeks to maintain a healthy balance of payments during the plan period (2007-2012) and has set the export targets at \$1,135 billion against imports of \$1,864 billion for the period.

The highlights are as follows :

Employment

- Create 70 million jobs between 2007-12.
- Earmark 10 areas in manufacturing and another 10 in services where such skill development programmes can work.
- Encourage private institutions to start short-term vocational courses by offering a certain amount, say Rs.5,000 per student, to the institution for students who successfully completes the test.
- Extend training facilities to 10 million people a month, up from 2.5 million a year.
- The National Skill Development Mission will have an outlay of Rs.31,200 crore.

Infrastructure

- Ensure electricity connection to all villages and BPL households by 2009 and round-the-clock power by the end of the Plan.
- Ensure all-weather road connection to all habitation with population 1000 and above (500 in hilly and tribal areas) by 2009, and ensure coverage of all significant habitation by 2015.
- Connect every village with telephones by November 2007 and provide broadband connectivity to all villages by 2012.
- Provide homestead sites to all by 2012 and set up the pace of house construction for rural poor by 2016-17.

Income & Poverty

- Accelerate growth rate of GDP from above 8-9 per cent and then maintain at 10 per cent in the Twelfth Plan in order to double per capita income by 2016-17.
- Increase agricultural GDP growth rate to 4 per cent per year to ensure a broader spread of benefits.
- Create 70 million new work opportunities.
- Reduce educated unemployment to below 5 per cent.
- Raise real wage rate of unskilled workers by 20 per cent.
- Reduce the head-count ratio of consumption poverty by 10 percentage points.

Healthcare

- Reduce infant mortality rate (IMR) to 28 and maternal mortality ratio (MMR) to one per 1000 live births.
- Reduce Total Fertility Rate to 2.1
- Provide clean drinking water for all by 2009.
- Reduce malnutrition among children of age group 0-3 to half its present level.
- Reduce anemia among women and girls by 50 per cent by the end of the Eleventh Plan.

Environment

- Increase forest and tree cover by 5 percentage points.
- Attain WHO standards of air quality in all major cities by 2011-12.
- Treat all urban waste water by 2011-12 to clean river waters.
- Increase energy efficiency by 20 percentage points by 2016-17.

II. World Bank Report – GDP Comparison

According to the recent report on International comparison based on Purchasing Power Parity basis, US, China, Japan Germany and India accounts for nearly half of the worlds GDP as measured by the buying power US dollar. Broad comparison of the GDP of various countries are given below :

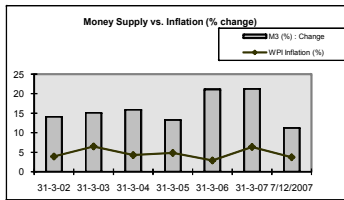
		PPP GDP (\$)			Global share (%)		Per capita PPPGDP(\$)	
		Earlier	Revised	Change(%)	Earlier	Revised	Earlier	Revised
1	US	12,417	12,376	-0.3	20.5	22.5	41,808	41,670
2	China	8,815	5,333	-39.5	14.5	9.7	6,762	4,091
3	Japan	3,995	3,870	-3.1	6.6	7.0	31,260	30,282
4	Germany	2,430	2,515	3.5	4.0	4.6	29,455	30,485
5	India	3,779	2,341	-38.1	6.2	4.3	3,431	2,126
6	UK	2,002	1,902	-5.0	3.3	3.5	33,256	31,595
7	France	1,850	1,862	0.6	3.1	3.4	29,459	29,650
8	Russia	1,552	1,698	9.4	2.6	3.1	10,846	11,866
9	Italy	1,672	1,626	-2.8	2.8	3.0	28,532	27,747
10	Brazil	1,566	1,585	1.2	2.6	2.9	8,502	8,605

Source : World Bank data for earlier figures, ICP for revised

It indicates that the share of the World Economy as measured by PPP is smaller than previously estimated; Asia's economies are one third smaller than previously thought, largely because down grading of China and India while African economies are one fourth smaller. In fact, many countries want IMF to take PPP into consideration when allocating voting rights.

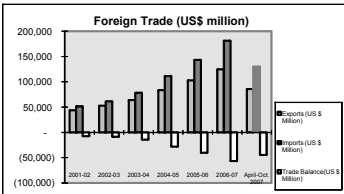
The political implications based on this report is that China share of the World GDP is just 5 per cent and India's is less than 2 per cent – half of their size using PPP.

- When measured by market exchange rates instead of PPP, China's share of world GDP is just 5 per cent and India's is less than 2 per cent – about half of their size using PPP. That explains why the report may have political ramifications as fast-growing emerging markets fight for more say at the IMF.
- Emerging markets argue that the big industrialised countries have too much influence over the fund, in part because voting rights do not take into account PPP – something they hope will change in the IMF's revised quota system.
- However, because China and India are smaller than previously thought in PPP terms, they may have a harder time winning support for sizeable increases in their voting rights.



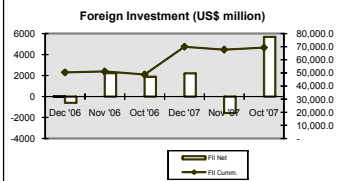
	31-3-02	31-3-03	31-3-04	31-3-05	31-3-06	31-3-07	7/12/2007
M3 (Rs. Crore)	14,98,355	17,25,222	20,03,102	22,53,838	27,29,535	33,10,278	36,82,402
M3 (%) : Change	14.1	15.14	15.95	13.30	21.10	21.27	11.24
WPI (Index) All Commodities	161.8	172.30	180.30	189	196.6	208.2	216.0
WPI Inflation (%)	3.92	6.49	4.29	4.83	2.91	6.36	3.75

Source: RBI Bulletin, November 2007; WSS: December 21, 2007; \$1993-94=100, year-month-end, @ December 02, 2006 @ @ December 01, 2007



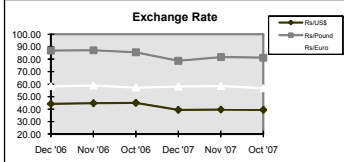
During the Year	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	April-Oct 2007
Exports (US \$ Million)	43,827	52,719	53,843	83,538	103,061	124,629	85,583
Imports (US \$ Million)	51,413	61,412	78,149	111,517	143,433	161,368	129,990
Trade Balance (US \$ Million)	(7,586)	(8,693)	(14,306)	(27,981)	(40,372)	(36,739)	(44,406)

Source: RBI Bulletin, November 2007; Revised figures for 2001-02 to 2006-07 (April-March)
*DGI&S data for April 2006 to March 2007 (Provisional)



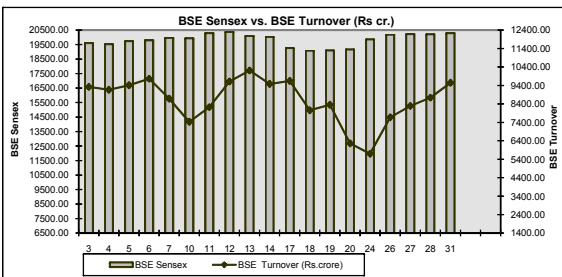
	2006-07 (US\$ million)			2007-08 (US\$ million)		
	Dec '06	Nov '06	Oct '06	Dec '07	Nov '07	Oct '07
FI Net	(599.2)	2,213.1	1,878.5	2,203.9	(1,566.6)	5,683.5
FI Cum.	50,420.6	51,019.7	48,806.8	69,954.30	67,750.30	69,316.80

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



	2006-07			2007-08		
	Dec '06	Nov '06	Oct '06	Dec '07	Nov '07	Oct '07
Ru/US\$	44.23	44.76	45.02	39.41	39.67	39.35
Ru/Pound	86.91	87.21	85.56	78.74	81.78	81.35
Ru/Euro	58.26	58.93	57.24	58.12	58.46	56.75

Figures are for month-end



December 2007	BSE Sensex Close	BSE Turnover (Rs.crore)
Nov 30, 2007	19263.19	8357.00
3	19663.41	9320.00
4	19259.50	9163.00
5	19738.07	9410.00
6	19795.87	9763.00
7	19666.00	8678.00
10	19930.68	7421.00
11	20290.89	8227.00
12	20375.87	9615.00
13	20104.39	10212.00
14	20030.83	9480.00
17	19261.35	9641.00
18	19079.64	8053.00
19	19091.96	8347.00
20	19162.57	6259.00
24	19854.12	5694.00
26	20192.52	7669.00
27	20216.72	8287.00
28	20206.95	8737.00
31	20286.99	9540.00



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 18.12.07	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 18.12.07	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	4.88	4.32	3.10	1.90	0.69	0.76	-0.90	1.78	1.00	51.7	34.2	0.1
			Nov							Oct	Sep	
U. S. A.	4.16	4.12	4.30	2.00	1.00	1.00	-1.20	-0.14	1.45	-805.4	-752.40	-5.5
			Nov							Oct	Q3	
Britain	6.41	4.74	2.10	2.70	0.50	0.51	-3.10	4.31	0.72	-165.8	-86.60	-3.3
			Nov							Oct	Q2	
Japan	0.73	1.51	0.3	0.40	113.00	118.00	-2.60	0.43	163.77	107.6	211.30	4.7
			Oct							Oct	Oct	
Sweden	4.02	4.35	3.30	1.70	6.56	6.86	2.90	0.72	6.56	18.5	29.40	7.0
			Nov							Oct	Q3	
Switzerland	2.76	2.99	1.80	0.50	1.15	1.22	0.30	0.98	1.67	11.2	64.90	16.2
			Nov							Oct	Q2	
India	7.42	8.15	5.50	7.30	39.50	44.80	-3.40	1.92	57.25	-66.0	-9.70	-1.1
			Oct							Oct	Q2	

Source: The Economist London: December 22nd - January 4th, 2008
**RPI Inflation rate 4.1% in Nov

Figures in Column 9 are derived.

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 18.12.07	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 18.12.07	A Year ago				Trade Account (US\$ bn)	Current Account (US\$ bn)	
	1	2	3	4	5	6	7	8	9	10	11	12
China	4.35	4.87	6.9	1.9	7.39	7.82	0.2	-2.55	10.71	259.8	249.9	11.4
			Nov							Nov	2006	
Hongkong	3.73	3.28	3.2	2.0	7.80	7.78	2.0	0.53	11.30	-21.9	24.9	9.6
			Oct							Oct	Q2	
Indonesia	8.04	6.61	6.7	5.3	9395.00	9140.00	-1.4	1.34	13615.94	41.2	11.0	2.4
			Nov							Oct	Q2	
Malaysia	3.62	4.77	1.9	3.1	3.35	3.58	-3.2	1.72	4.86	29.3	27.6	13.5
			Oct							Oct	Q2	
Singapore	2.56	2.76	3.6	0.4	1.46	1.54	0.30	-1.04	2.12	35.8	46.3	24.5
			Oct							Nov	Q3	
South Korea	5.71	5.79	3.5	2.1	939.00	932.00	0.7	2.21	1360.87	17.4	9.7	1.0
			Nov							Nov	Oct	
Taiwan	2.70	2.61	4.8	0.2	32.60	32.70	-2.1	-2.10	47.25	17.6	28.4	6.3
			Nov							Nov	Q3	
Thailand	3.90	4.72	3.0	3.5	33.70	35.90	-1.9	0.90	48.84	10.5	12.9	4.6
			Nov							Oct	Oct	
Brazil	11.18	6.16	4.2	3.0	1.81	2.15	-1.8	6.98	2.62	41.4	7.4	0.7
			Nov							Nov	Oct	
Venezuela	13.19	6.55	20.7	15.8	5675.00	3283.00	-1.4	-7.51	8224.64	23.4	20.2	9.2
			Nov							Q3	Q3	
India	7.42	8.15	5.50	7.30	39.50	44.80	-3.4	1.92	57.25	-66.0	-9.7	-1.1
			Oct							Oct	Q2	

Source: The Economist London: December 22nd - January 4th, 2008

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