



Update on Indian Economy

August 2008

Economic Snapshot

Contents	Item	Units	July	June	July	(% Change	
			2008	2008	2007	[1] / [2]	[1]/[3]
			[1]	[2]	[3]	[4]	[5]
- Editorial	WPI -Index*	1993-94=100	238.7	235.2	213.3	1.49	11.9
- Capital Market	WPI -Inflation**	Per cent	11.9	11.0	4.3		
- Industry: Crude oil		Week ended	(05.07.08)	(07.06.08)	(07.07.07)		
- Other Markets	IIP (93-94=100)	2 months lag	273.2	268.3	264.2	1.83	3.41
- Important Policy Pronouncements			(May 08)	(Apr.08)	(May 07)		
	INR / US\$	Month End	42.49	42.95	40.44	(1.07)	5.07
	M3	Rs. '000 Cr.	4146.20	4099.96	3434.64	1.13	20.72
	[i] Agg.Deposits	Rs. '000 Cr.	3545.52	3495.77	2936.83	1.42	20.73
	[ii] Currency	Rs. '000 Cr.	600.68	604.19	497.82	(0.58)	20.66
		(Outstanding as on)	(04.07.08)	(06.06.08)	(06.07.07)		
	Call Money	% Range	7.00-10.00	5.50-8.40	0.01-4.75	-	-
	(Lendings)	Week ended	(11.07.08)	(13.06.08)	(13.07.07)		

Source: RBI Weekly Statistical Supplement July 25, 2008 & Economic & Political Weekly July 19, 2008

*All Commodities. **Over the year.

Editorial

A) Domestic

The month witnessed three major developments; the **first** was gradual increase in the rates of inflation and **second** was passing of the Trust Vote in the Parliament following the withdrawal of support by the left parties. The **third** is the announcement by Reserve Bank of India of the first quarter 2008-09 credit policy. The rate of inflation which was 3.8 per cent for the week ending on January 5, 2008 rose to 5 per cent on February 23, 2008 and steadily went up to 7.4 per cent week ending on March 29, 2008. The rate of inflation rose gradually and reached 7.6 per cent in April 26 and 8.75 per cent on May 31, 2008 and leap frogged to 11.9 per cent on June 28, 2008. The steady increase in inflation attracted media attention apart from impacting the budget of the middle income groups and the poor and unemployed households. On July 22, 2008 the Parliament passed the Trust Vote with the help of support from Samajwadi Party (SP), the Trust Vote was mainly on the issue related to Indo-US Nuclear Civil Deal which has been pending for long. The passing of the Trust Vote would enable the Government not only to move ahead with formalities relating to Indo-US Nuclear Civil Deal but would also strengthen the hands of the Government to move further in the area of economic reforms, the important of which are :

- Disinvestment in profit-making public sector companies, which were earlier put on the backburner under Left pressure,
- A possible hike in foreign institutional investment (FII) limits in banking to 49 per cent,

- Increase in the 5,000 hectare land ceiling for a single Special Economic Zone. An empowered Group of Ministers is scheduled to meet on August 17, 2008 to discuss this.
- Amendment to Banking Regulation Act, to allow higher voting rights for private investors in public sector banks and bigger play for foreign banks,
- FDI in multi-brand retail stores which was on hold due to opposition from Left,
- Move to increase the ceiling on FDI in insurance to 49 per cent from the present 26 per cent may also hit a roadblock as there is no guarantee that it would get a majority backing in Parliament,
- Labour laws, long seen as a hurdle to a more corporate-friendly regime may not see much change in a year when parties would be preparing for elections, and
- Pension Fund Regulatory and Development Authority Bill to reform pension fund management that could usher in private funds to manage savings of employees.

While policy measures earlier by Government, and now by RBI in its Statement on July 29, 2008 to control inflation and inflationary expectations have been undertaken, these may, however, lead to moderate slow down in the rate of economic growth from 9.0 per cent plus to close to 8.0 per cent.

B) International

The Summit of G-8 countries comprising Britain, Canada, France, Germany, Italy, Japan, Russia and the USA was held from July 7-9, 2008 in Toyako, Hokkaido in Japan. The issues to be discussed in the Summit were :

I. Main Issues :

- i. The main issue for the G8 is turning out to be the recent price hike of fuel oil around the world. The group of eight powerful nations urged the world to curb its energy use, as oil nears US\$140 a barrel, threatening a global recession.
- ii. On June 9, 2008, Energy Ministers from the G8 met with non-G8 members – China, India and South Korea, in Aomori, northern Japan, to discuss the looming energy crisis. But despite voicing ‘serious concerns’ over the oil prices, the 11 nations pushed the need for domestic energy efficiency rather than pressing the Organisation of Petroleum Exporting Countries (OPEC), a cartel of oil-rich nations, to lift output. OPEC which produces more than 40 per cent of the world’s oil, has no plans to increase output ahead of its meeting in September 2008, despite mounting international pressure.

II Development and Africa

Japan will promote efforts of the international community towards the achievement of MDGs, given that 2008 marks the mid-point of three goals – health, water and education.

III. Intellectual property rights controversy

A leaked document details provisions of a proposed trade agreement that would impose strict enforcement of intellectual property rights related to Internet activity and trade in information based goods.

IV. Political issues including nuclear non-proliferation

Two important issues to be discussed included terrorism and nuclear non-proliferation.

V. World Economy

In line with the summit agenda, the energy ministers meeting will adopt a declaration announcing the establishment of a new framework called International Partnership for Energy Efficiency Cooperation (IPEEC), which says that energy saving and efficiency are one of the quickest greenest, and most cost-effective ways to address energy security, climate change and ensuring economic growth.

Subsequently, in the press release it was reported that Summit reached a tentative deal on the climatic change. The Summit also urged G-5 countries including China, Brazil and India who were invited to take responsibility for the climatic change. Some of the countries were found to be keen on a deal on a long term global goal for emissions cut but there were divisions over what targets should be set and what should be expected of the developing countries.

According to the declaration, Summit supported a shared vision for long-term cooperative action, including a long-term global goal for emission reductions, that assures growth, prosperity, and other aspects of sustainable development, including major efforts towards sustainable consumption and production, all aimed at achieving a low carbon society.

The Major Economies Meetings decided to contribute constructively to the Bali process in several ways; the important being :

- First, the dialogue at political, policy, and technical levels to build confidence among the nations and deepened mutual understanding of the many challengers confronting the world community as next steps are considered under the Convention and continue to mobilize political will to combat global climatic change.
- Second, without prejudging outcomes or the views of other nations, we believe that the common understandings in this Declaration will help advance the work of the international community so it is possible to reach an agreed outcome by the end of 2009.
- Third, recognizing the need for urgent action and the Bali Action Plan's directive for enhanced implementation of the Convention between now and 2012, we commit to taking the actions without delay.

Capital Market Review

During the first week of the month the benchmark index Sensex after declining in the first two days rose on Monday and Tuesday (July 7th and 8th) and the rise was not much because the investors feared that the interest rates rise by the Reserve Bank is around the corner. With little sign of inflation easing in the near term from a 13 year high of 11.6 per cent in the last week of June 2008 the expectation for the further tightening of the monetary policy to calm the nerves about rising inflation were expected. However, what ever little gain the market made was largely due to the export performance of software companies which reported strong quarterly earnings on the strength of weakening rupee and these helped the companies such as Infosys Technologies.

Further, the benchmark index was strengthened by the belief that the assurance of support from the regional parties such as SP to the Congress would be forthcoming in the event the Left Party made decide to withdraw from the UPA Coalition and thereby would affect

political stability. The events before the departure of the Prime Minister to Tokyo helped to strengthen the belief that the present coalition is likely to continue and therefore, it is unlikely that markets will fall. However, the fear continue to grip the market because of the expected tightening of the market and increase in the interest rates. In fact, some of the companies who were planning to come out with the IPOs were forced to put off their IPO.

During the month of July 2008, mainly the two items engaged the attention of the public and policy makers, **first** was inflation which grew from week to week and stood at 11.91 per cent on July 05, 2008 and, **secondly**, the price of crude oil which first went up and then softened subsequently despite meeting at Jeddah in Saudi Arabia where Pranab Kumar Mukherjee, Minister of External Affairs from India suggested a price band for crude oil. The objective being to salvage growth story of India while OPEC may agree or not to implement the policy of price band, the upward trend in the oil prices and their fluctuations along with the rising inflation continued to cause uncertainty in the Capital Markets in India. Sensex moved up on one day and declined on the other adding volatility to the existing uncertainty in the movement of the index. As a result, small investors shifted their focus to the banks and resorted to selling their holdings in a moderate way. The Sensex closed at 14355.75 on July 31, 2008, and this was higher by 894.15 points from the close of the index of 13461.60 on June 30, 2008. **Third**, negative factor for the market was slump in the industrial production.

Many companies have seized the initiative to bolster investor sentiment by offering buying back shares such as DLF, offering bonus shares and issuing rights shares at a discount to the already battered prices. The market is also witnessing open offers following takeovers, for which this sort of bearish environment is conducive.

According to the market participants, SEBI should moderate the price bands on volatile scrips to a uniform rate, say 5 per cent from the present slabs of 2 per cent, 5 per cent and 10 per cent to allow for an orderly rise and fall in prices of stocks.

	July	June	July	June	(%) Change		
	2008	2008	2007	2007	[1] / [2]	[1] / [3]	[2] / [4]
Major Indices	[1]	[2]	[3]	[4]	[5]	[6]	[7]
BSE Sensex – Close	14355.75 (31.07.08)	13461.60 (30.06.08)	15550.99 (31.07.07)	14,650.51 (29.06.07)	6.64	(7.69)	(8.12)
Monthly High	14942.28 (23.07.08)	16063.18 (02.06.08)	15794.92 (24.07.07)	14,650.51 (29.06.07)	(6.98)	(5.40)	9.64
Monthly Low	12575.80 (16.07.08)	13802.22 (27.06.08)	14664.26 (02.07.07)	14,003.03 (13.06.07)	(8.89)	(14.24)	(1.43)
S&P CNX Nifty –Close	4332.95	4040.55	4528.85	4318.30	7.24	(4.33)	(6.43)
P/E Ratio : BSE – 30	17.80	16.50	21.03	21.09	7.88	(15.36)	(21.76)
FII Investments (Equity+ Debt)							
Inflows – Rs. Cr.	69645.6	63153.5	87331.60	50202.9	10.28	(20.25)	25.80
Outflows – Rs. Cr.	67863.9	74248.0	64722.30	49101.6	(8.60)	4.85	51.21
Net – Rs. Cr.	1782.1	(11094.5)	22609.40	1101.7	(116.06)	(92.12)	(1107.03)
Cum. Net Inv–US\$ Mn. (Month End)	64258.80	63817.1	60797.00	55252.1	(0.69)	5.69	15.50

The net cumulative investment by FIIs in end June 2008 was US\$ 63.82 billion which rose to US\$ 64.26 billion in end July 2008 indicating a nominal increase of US\$ 0.44 billion during the month of July 2008.

Industry : Crude Oil

I. Introduction

According to the Economic Survey 2007-08, crude oil production was 33.99 million tonne (mt) during 2006-07, and during April-November of 2007-08 it was 22.69 mt. In fact, domestic production of crude oil has not significantly changed during the period from 2004-05 to 2007-08, 33.98 mt in 2004-05, 32.19 mt in 2005-06 and 33.99 mt in 2006-07. However there was a moderate increase in the production of petroleum products from 120.82 mt in 2004-05 to 137.35 mt in 2006-07, and during the period April-November of 2007-08 it reached 84.41 mt. The domestic production constitutes about less than 30 per cent of the domestic consumption.

II Domestic Policy

In order to realize energy security, Government has began in 1999 operationalizing the New Exploration Licensing Policy (NELP); 46 oil and gas discoveries have been made by private or joint venture (JV) companies in 13 blocks, which have added more than 600 MT of oil equivalent hydrocarbon reserves. As on April 1, 2007, the investment made by the Indian and foreign companies was US\$ 3,887 million, out of which 30 per cent was by the national oil companies, 61.1 per cent by the Indian private companies and the remaining 8.9 per cent by foreign companies. After concluding six rounds of NELP, 162 production sharing contracts have been signed and area under exploration has increased four times, which now covers 44 per cent of Indian sedimentary basins.

The Petroleum & Natural Gas Regulatory Board (PNGRB), has been set up under the provisions of PNGRB Act, 2006, which is now operational. The initiatives taken to contain adulteration and diversion of PDS kerosene include automation of retail outlets, solutions based on information technology and third party certification of retail outlets selling over 100 kilolitre (KL) per month. Over 53 per cent of the work on fully automating retail outlets selling more than 200 KL per month has been completed. About 40 per cent of the work on adoption of Global Positioning System (GPS) in 26,382 tank trucks has been completed. To give a firm legal footing for the new marker system for detecting adulteration of kerosene in diesel and petrol, launched in October 2006, various control orders governing the sale of kerosene have been amended. Oil marketing companies in the private sector have also been asked to introduce scheme along the lines of the public sector companies. The oil marketing companies are considering the sale of non-PDS kerosene in one litre bottles. The plant for packaging has been commissioned in October 2007 and the sale is operative on pilot basis. The major policy initiatives taken during 2007-08 are given below :

III. Major initiatives in the petroleum sector during 2007-08

- The Coal Bed Methane (CBM) Policy was approved in July 1997. Since then, 26 CBM blocks have been awarded for exploration and production of CBM gas. Six TCF reserves have already been established in 4 CBM blocks. First commercial production of CBM commenced form July 2007. The work relating to the launch of CBM IV has started.

- Seventh round of NELP has been launched on December 13, 2007, under which bids have been invited for 57 (29 onland, 9 shallow water and 19 deep water blocks) exploration blocks.
- Reserve replacement ratio is decided to be maintained at more than one during the Eleventh Five Year Plan period.
- The Assam Gas Cracker Project has been formally launched in April 2007.
- Initiatives have been taken to meet the demand for gas through intensification in domestic exploration and production activities, LNG import, CBM, underground coal gasification, gas hydrates and transnational gas pipelines, etc.

IV. Crude Oil Prices

The spot prices of UK Crude Bent averaged US\$ 24.4 per barrel in calendar year 2001, nominally increased to US\$ 25 per barrel in 2002, increased slightly to US\$ 28.9 per barrel in 2003, and rose by 32.5 per cent to US\$ 38.3 per barrel in 2004 and a whopping 42 per cent to US\$ 54.4 per barrel in 2005 and decelerated to 20.2 per cent to reach US\$ 65.4 per barrel in 2006. It was during the first five months i.e. January to May of 2007 the prices remained between US\$ 62-70 per barrel, but from June 2007 onwards the prices rose sharply. The crude oil prices touched the highest at US\$ 146 per barrel on July 3, 2008 and again rose to US\$ 147 per barrel on July 11, 2008. However, towards the latter part of July 2008 the international prices of crude oil began to soften. These high prices created fear, uncertainty and difficult economic situation for oil importing countries such as India and China, and problems for policy makers as to how to adjust domestic price fixation of petroleum products.

In view of the phenomenal increase in the international price of crude oil and petroleum products in recent months, the crude oil price of the Indian basket touched an all-time high of US\$ 92.13 per barrel on November 26, 2007. This has a significant impact on the oil marketing companies (OMC) and the Indian economy, because India imports about 72 per cent of the crude oil requirement. Earlier, the Government has tried to equitably distribute the burden of oil price hike among the various stakeholders, namely, upstream companies, oil marketing companies, Government and consumers. India imports 75 per cent of its crude oil requirements. The Indian crude basket price has averaged US\$ 139.83 a barrel so far this month. This surge in crude oil prices has led to increasing pressure on the profitability of the public sector oil marketing companies (OMCs) which sell petroleum products below the cost price. The Government has decided to issue oil bonds to the tune of 42.7 per cent of the total estimated under-recoveries and make the upstream oil companies bear approximately one-third of the under-recoveries.

V. Revenue loss from

As on July 1, the companies were losing Rs.14.92 a litre on petrol sale, Rs.24.90 a litre on diesel, Rs.38.09 a litre on kerosene, and Rs.338.53 a cylinder on liquefied petroleum gas (cooking gas). The Government had, effective June 5, 2008 increased the retail selling price of petrol, diesel and cooking gas to partially offset the revenue loss suffered by the OMCs – Indian Oil Corporation, Hindustan Petroleum Corporation and Bharat Petroleum Corporation. It however, left the price of kerosene untouched.

Subsequent to the price revision, the revenue loss incurred by OMCs on petrol has come down to Rs.9.67 a litre and diesel Rs.18.68 during the first fortnight of June 2008. The revenue loss on cooking gas stood at Rs.302.93 a cylinder and kerosene Rs.35.98 a litre for June. However, this dip in under recovery figures was short-lived with continued volatility in crude oil prices. The OMCs review the figures for auto fuels on a fortnightly basis and that of cooking fuels on a monthly basis.

VI. Deora at Madrid

The Petroleum Minister, Mr. Murli Deora, addressing the 19th World Petroleum Congress on June 3 at Madrid, had said, “A small section of the oil analysts has been ascribing the relentless rise in crude prices in recent months to the spurt in demand for oil from India and China. I wish to take this opportunity to set the record straight. While China and India account for over one-third of the global population, their combined oil consumption is less than one-eighth of the world’s consumption.”

“And, with steadily declining energy intensity, both our countries are registering rapid economic growth with less than proportionate increase in oil demand... India’s refining capacity today stands higher than our oil demand. This has a sobering effect on the product prices by reducing the mismatch between product demand and supply. Given these facts, we are of the firm view that attribution of high crude prices to rising demand from India and China is completely devoid of merit and misses the wood for the trees.”

Reference: 1 Government of India: Economic Survey 2007-08.

2. IMF : IFS January 2006, August 2007, January 2008

3 Business Line : July 05, 2008

Other Markets

Debt Market

In the month of June 2008, primary market issuances remained subdued with only two issues that were made by Development agencies controlled by the Government. Total size of the issuances was Rs.700 crore.

	Name of the Issuer	Rate %	Duration	Rating	Amount (Rs. Crore)	Type of Instrument
i)	Rural Electrification Corporation Ltd	9.60 9.68	5 years 10 years	AAA	500 ^a	Bonds
ii)	NABARD	9.50- 9.60	1 years	AAA	200	Bonds

^a *greenshoe option of Rs.500 crore*

(Source : Credit Analysis & Research Ltd., July 2008)

Call Money Market

The call money market rate on July 11, 2008 in respect of borrowings ranged between 7.00% and 10.00% as compared to the rates of 0.01% - 4.75% on July 13, 2007 (i.e. a year ago) reflecting that there was hardening of the interest rates. The average daily turnover in the call money market was Rs.14,320 crore for the week ending July 11, 2008 and this daily turnover declined to Rs.12,492 crore in the week ending July 18, 2008.

Foreign Exchange Market

The exchange rate (RBI reference rate) on July 18, 2008 was Rs.42.78 per US dollar as compared to Rs.42.82 per US dollar on July 14, 2008, 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 5.10% on July 18, 2008 as compared to a premium of 5.09% on July 14, 2008 (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\$ 297.37 billion on July 18, 2008, and inclusive of gold and SDRs and the reserve position in the Fund, the foreign exchange reserves aggregated to US\$ 307.11 billion. From end-March 2008, the foreign exchange reserves registered a decline of US\$ 2.62 billion upto July 18, 2008. The market rate (buying) was Rs. 42.59 per US dollar on July 31, 2008.

Important Policy Pronouncements

(A) Reserve Bank of India

Reserve Bank of India Governor, Y.V. Reddy announced on July 29, 2008 the First Quarter Review of Annual Policy Statement on the Monetary policy for the year 2008-09. The back drop of the Monetary Policy was the Macroeconomic and Monetary Developments as emerged during the first quarter of 2008-09 as also during the entire year of 2007-08. The real GDP growth was placed at 9.0 per cent during 2007-08 as compared to 9.6 per cent in 2006-07. The deceleration in the growth was on account of industry and services, offset partially by recovery in agriculture.

I. Monetary Measures

- Bank rate kept unchanged at 6.0 per cent
- Reverse Repo Rate under LAF kept unchanged at 6.0 per cent.
- The fixed Repo Rate under LAF increased was by 50 basis points from 8.5 per cent to 9.00 per cent with immediate effect.
- On a review of the current liquidity situation, it is considered desirable to increase the Cash Reserves Ratio (CRR) by 25 basis points to 9.0 per cent with effect from the fortnight beginning August 30, 2008.
- The Reserve Bank retained the option to conduct overnight or longer term repo/reverse repo under the LAF depending on market conditions and other relevant factors. The Reserve Bank will continue to use this flexibility including the right to accept or reject tender(s) under the LAF, wholly or partially, if deemed fit, so as to make efficient use of the LAF in daily liquidity management.

II. Monetary and Liquidity Conditions :

Growth in Broad Money M3, year-on-year (y-o-y), was 20.5 per cent (Rs.7,04,046 crore) on July 4, 2008 as compared with 21.8 per cent (Rs.6,17,118 crore) a year ago.

III. Real Sector

- GDP growth projection for 2008-09 revised from the range of 8.0-8.5 per cent to around 8.0 per cent, barring domestic or external shocks.

IV. Price Policy

- While the policy actions would aim to bring down the current intolerable level of inflation to a tolerable level of below 5.0 per cent as soon as possible and around 3.0 per cent over the medium-term, at this juncture a realistic policy endeavour would be to bring down inflation from the current level of about 11.0-12/0 per cent to a level close to 7.0 per cent by March 31, 2009.
- Barring the emergence of any adverse and unexpected developments in various sectors of the economy, assuming that capital flows are effectively managed, and keeping in view the current assessment of the economy including the outlook for growth and inflation, the overall stance of monetary policy in 2008-09 will broadly continue to be :
 - To ensure a monetary and interest rate environment that accords high priority to price stability, well-anchored inflation expectations and orderly conditions in financial markets while being conducive to continuation of the growth momentum.

V. Price Scenario

- Inflation emerged as a global phenomenon in recent months.
- Headlines inflation firmed up further in major economies during the first quarter of 2008-09, reflecting the combined impact of higher food and fuel prices as well as strong demand conditions, especially in emerging markets. Notwithstanding inflation remaining above the targets/comfort zones, the monetary policy responses during the quarter were mixed in view of growth implications of the persistence of financial market turmoil following the US sub-prime crisis.
- Global commodity prices firmed up further during the first quarter of 2008-09, led by a sharp increase in the prices of crude oil as well as food and agricultural raw materials.

VI. Global Developments

- According to the update of World Economic Outlook (WEO) of the International Monetary Fund (IMF) released in July 2008, global real GDP growth on a purchasing power parity basis is expected to decelerate from 5.0 per cent in 2007 to 4.1 per cent in 2008 (3.7 per cent in WEO, April 2008) and further to 3.9 per cent in 2009 (3.8 per cent in WEO, April 2008)
- Inflation has become a global phenomenon in recent months. Inflation pressures have raised serious concerns in emerging market economies (EMEs) across Asia, Latin America and Africa, mainly on account of supply-demand imbalances in food, fuel and commodity markets
- Prices of crude oil, which have rebounded since July 2007, increased by 60.0 per cent up to July 25, 2008 from their level a year ago. World oil markets have been particularly tight during the first half of 2008, with year-on-year growth in world oil consumption outstripping growth in non-Organisation of the Petroleum Exporting Countries (OPEC) production by over 1 million barrels per day.

VII. Financial Markets

- Global financial markets witnessed general uncertain conditions during April-July 2008. The financial market turbulence that has erupted in the US sub-prime mortgage market in mid-2007 gradually deepened towards early 2008. There was a cautious return of investor risk tolerance in the credit markets between mid-March 2008 and end-May 2008. Central banks continued to work together and also individually to improve liquidity conditions in financial markets. Financial markets, however, came under stress again in June 2008 and thereafter.
- Indian financial markets remained largely orderly during the first quarter of 2008-09.

VIII. Some Observations

- The overall impact on the Indian Economy would be that margins of the banks will get squeezed, and in turn there would be upward revision in the lending rates by the commercial banks.
- The sectors that would be most affected would be that of housing and car loans, and these would become costlier.
- Airlines may have to increase their rates because of the rise in fuel prices.
- The increase in the fuel prices will have spill over to other sectors of the economy where transportation costs are considered important such as agriculture where the goods have to move from farm to factories.
- The increase in foodgrain prices is now a worldwide phenomena and this is inspite of the fact that the aggregate foodgrains production is reasonably satisfactory. The rising incomes in the emerging market countries will generate demand for foodgrains and related items, and thus there would be continued rise in foodgrain prices.
- Perhaps the foodgrain prices may have to stay at high level in the medium term.

IX. Half Yearly Statement

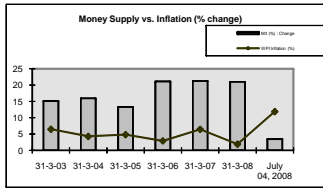
The Mid-Term Review of the Annual Policy Statement for the year 2008-09 will be announced on October 24, 2008.

(B) Pan Card requirement

SEBI vide circular dated June 30, 2008 has clarified that Permanent Account Number (PAN) may not be insisted in the case of Central Government, State Government, and the officials appointed by the Courts e.g. Official Liquidator, Court Receiver etc. (under the category of Government) for transacting in the securities market. It is hereby clarified that the exemption from mandatory PAN requirement applies to transactions undertaken on behalf of the Central and State Government, but not to the transactions of the employees of Central and State Government in their personal capacity.

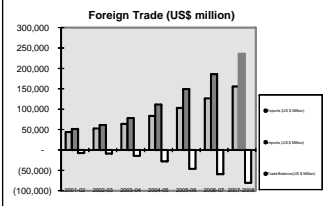
(C) RBI begins purchasing oil bonds under special market operations

The Reserve Bank of India (RBI) has started purchasing oil bonds from oil companies under the special market operations. The first transaction of about Rs.1,000 crore has been done and the yield on the bond was about 8.75-8.76 per cent. The Government has announced an issue of oil bonds worth Rs.94,600 crore in the fiscal 2008-09. (Source : IIBF Vision, July 2008)



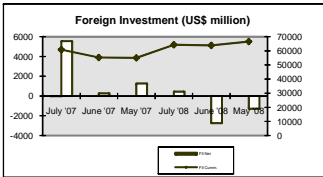
	31-3-03	31-3-04	31-3-05	31-3-06	31-3-07	31-3-08	July 04, 2008
M3 (Rs. Crore)	17,25,222	20,03,102	22,53,938	27,29,535	33,10,278	40,06,722	41,46,197
M3 (%) Change	15.14	15.95	13.30	21.10	21.27	21.04	3.48
WPI (Index) All Commodities	172.30	180.30	189	196.6	209.3*	213.3**	238.7***
WPI Inflation (%)	6.49	4.25	4.83	2.91	6.46	1.91	11.90

Source: RBI Bulletin July 2008; WSS: July 25, 2008 \$1993-94=100; year/month-end; * March 03, 2007 ** July 7, 2007 *** July 5, 2008



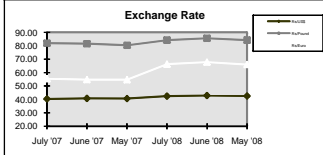
During the Year	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-2008	April-May, 08
Exports (US \$ Million)	43,827	62,719	63,843	83,536	103,091	126,414	155,512	28,182
Imports (US \$ Million)	51,413	61,412	78,149	111,517	149,166	185,735	235,911	48,822
Trade Balance (US \$ Million)	(7,586)	(8,693)	(14,306)	(27,981)	(46,075)	(59,321)	(80,398)	(20,640)

Source: RBI Bulletin, July 2008; Revised figures for 2001-02 to 2006-07 (April-March)
*DGCI&S data for April 2006 to March 2007 (Provisional)



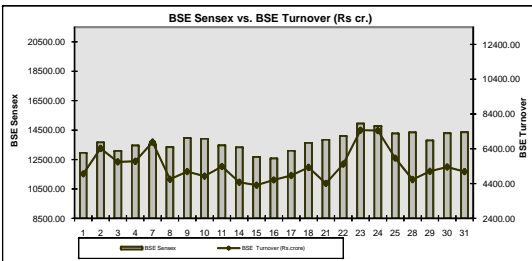
	2007-08 (US\$ million)			2008-09 (US\$ million)		
	July '07	June '07	May '07	July '08	June '08	May '08
FDI Net	5,544.8	269.3	1,265.0	441.7	(2,750.5)	(1,282.8)
FDI Cum.	60797	53252.1	54982.4	64258.8	61817.10	66,567.30

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



	2007-08			2008-09		
	July '07	June '07	May '07	July '08	June '08	May '08
Ru/US\$	40.44	40.75	40.73	42.49	42.95	42.55
Ru/Pound	82.03	81.63	80.43	84.21	85.82	84.16
Ru/Euro	55.42	54.79	54.74	66.33	67.81	65.99

Figures are for month-end



July 2008	BSE Sensex Close	BSE Turnover (Rs crores)
30-Jan-08	13461.60	4726.00
1	12961.68	4961.00
2	13664.62	6421.00
3	13094.11	5646.00
4	13454.00	5678.00
7	13525.99	6785.00
8	13349.65	4644.00
9	13964.26	5093.00
10	13926.24	4826.00
11	13469.85	5386.00
14	13330.51	4475.00
15	12676.19	4304.00
16	12575.80	4611.00
17	13111.85	4865.00
18	13635.40	5330.00
21	13850.04	4408.00
22	14104.20	5522.00
23	14942.28	7467.00
24	14777.01	7145.00
25	14274.94	5867.00
28	14349.11	4632.00
29	13791.54	5103.00
30	14287.21	5354.00
31	14355.75	5091.00



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 2008	Real Rate (Short-term) (1-3)	Currency unit per Euro 16.07.08	Balance Latest :12 months		Col 11 as Percentage of GDP 2008
	3-month latest	10-year gov't bonds latest	Latest	A Year ago	As on 16.07.08	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	4.96	4.38	4.00	1.90	0.63	0.72	-0.90	0.96	1.00	17.3	-2.5	-0.3
			Jun								Apr	
U. S. A.	2.31	3.93	5.00	2.70	1.00	1.00	-2.40	-2.69	1.59	-835.2	-710.7	-4.9
			Jun								May	Q1
Britain	5.75	4.87	3.8*	2.40	0.50	0.49	-3.60	1.95	0.78	-185.4	-102.4	-4.1
			Jun								May	Q1
Japan	0.75	1.57	1.30	nil	105.00	122.00	-2.70	-0.55	166.67	101.0	215.1	4.1
			May								May	May
Sweden	4.23	4.22	4.30	1.90	6.02	6.64	2.40	-0.07	9.56	18.3	40.4	8.1
			Jun								May	Q1
Switzerland	2.80	3.08	2.90	0.60	1.02	1.20	0.90	-0.10	1.62	14.5	91.4	15.1
			Jun								May	Q1
India	9.00	9.94	7.80	6.60	43.10	40.40	-3.40	1.20	68.41	-85.0	-17.5	-3.0
			May								May	Q1

Source: The Economist London, July 19th-25th, 2008

Figures in Column 9 are derived.

**RPI Inflation rate 4.6% in June

Annexure 2 : Important Economic Indicators for Select Emerging Market Countries

Country	Interest rates, (%)		CPI (percentage change)		Currency unit per US \$		Union Budget (+) / (-) % of GDP 2008	Real Rate (Short-term) (1-3)	Currency unit per Euro 16.07.08	Balance Latest :12 months		Col 11 as Percentage of GDP 2008
	3-month latest	10-year gov't bonds latest	Latest	A Year ago	As on 16.07.08	A Year ago				Trade Account (US\$ bn)	Current Account (US\$ bn)	
	1	2	3	4	5	6	7	8	9	10	11	12
China	4.42	4.66	7.1	4.4	6.81	7.56	0.4	-2.68	10.81	248.7	371.8	9.3
			Jun								Jun	2007
Hongkong	2.22	3.38	5.7	1.3	7.80	7.82	3.0	-3.48	12.38	-26.0	26.6	9.3
			May								May	Q1
Indonesia	9.82	7.66	11.0	5.1	9141.00	9100.00	-1.8	-1.38	14509.52	38.0	10.9	2.3
			Jun								May	Q1
Malaysia	3.70	4.26	3.8	1.4	3.23	3.45	-3.1	-0.10	5.13	35.9	30.6	14.0
			May								May	Q1
Singapore	1.14	3.15	7.5	1.0	1.35	1.52	1.00	-6.36	2.14	28.5	35.8	23.3
			May								Jun	Q1
South Korea	5.52	5.98	5.5	2.5	1009.00	916.00	1.1	0.02	1801.59	1.5	1.7	-0.8
			Jun								Jun	May
Taiwan	2.75	2.56	5.0	0.1	30.40	32.80	-1.9	-2.25	48.25	13.8	32.2	5.3
			Jun								Jun	Q1
Thailand	3.75	5.36	8.3	1.9	33.50	33.50	-3.0	-5.15	53.17	7.3	13.2	-0.4
			Jun								May	May
Brazil	12.17	6.16	6.1	3.7	1.60	1.86	-1.6	6.07	2.54	30.8	-15.2	-1.1
			Jun								Jun	May
Venezuela	17.26	6.55	32.2	19.4	3.37	4.23	2.4	-14.94	5.35	30.1	26.7	10.6
			Jun								Q1	Q1
India	9.00	9.94	7.80	6.60	43.10	40.40	-3.40	1.20	68.41	-85.0	-17.5	-3.0
			May								May	Q1

Source: The Economist London, July 19th-25th, 2008

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
Url: www.mega-ace.com
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