



Update on Indian Economy December 2008

Economic Snapshot

Contents	Item	Units	November	October	November	(% Change	
			2008	2008	2007	[1] / [2]	[1] / [3]
			[1]	[2]	[3]	[4]	[5]
- Editorial	WPI -Index*	1993-94=100	235.0	239.6	215.8	(1.92)	8.9
- Capital Market	WPI -Inflation**	Per cent	8.9	11.4	3.1		
- Industry: Aluminium		Week ended	(08.11.08)	(04.10.08)	(03.11.07)		
- Other Markets	IIP (93-94=100)	2 months lag	273.0	263.6	259.1	3.57	5.36
- Important Policy Pronouncements			(Sept.08)	(Aug 08)	(Sept.07)		
	INR / US\$	Month End	49.84	49.25	39.67	1.20	25.64
	M3	Rs. '000 Cr.	4377.85	4314.12	3671.50	1.48	19.24
	[i] Agg. Deposits	Rs. '000 Cr.	3755.65	3710.41	3142.26	1.22	19.52
	[ii] Currency	Rs. '000 Cr.	622.20	603.71	529.24	3.06	17.56
		(Outstanding as on)	(07.11.08)	(10.10.08)	(09.11.07)		
	Call Money	% Range	4.20-10.09	5.00-23.00	4.00-8.00	-	-
	(Lendings)	Week ended	(14.11.08)	(10.10.08)	(09.11.07)		

Source: RBI Weekly Statistical Supplement November 28, 2008 & Economic & Political Weekly November 22, 2008

*All Commodities. **Over the year.

Editorial

A) Domestic

The Second quarter (July to September) of 2008-09 data released by CSO indicated that the growth rate of GDP was registered 7.6 per cent over the corresponding quarter of the preceding year. Sectorwise, the 'manufacturing' recorded at 5.0 per cent, 'construction' at 9.7 per cent trade, 'hotels, transport and communication' at 10.8 per cent 'financing, insurance, real estate and business services' at 9.2 per cent and 'community, social and personal services' at 7.6 per cent. The growth rate in agriculture, forestry and fishing is estimated at 2.7 per cent. As a result the growth rate of GDP in first half (April-September) of 2008-09 registered 7.8 per cent as compared to 9.3 per cent the corresponding first half of 2007-08. (Refer Appendix I)

As for the second half of 2008-09 is concerned the rainfall has been nearly normal, kharif harvest is yet to be realized and during the normal rainfall, the kharif foodgrain production is likely to be shade lower than the production of 121 million tonne realized last year. In addition there has been a movement towards non food and commercial crops, the impact of which would be available by the end of December 2008. Further, the rabi foodgrains production is likely to be normal unless there are agriculture shocks. According to the Press Information Bureau dated November 26, 2008, foodgrains production (Kharif + Rabi) is likely to be 231 million tonne. Hence, the agriculture production could be expected to be more than 2.9 per cent recorded during the first half of 2008-09.

The only drawback is in the production of manufacturing goods whose growth rate nearly halved to 5.2 per cent in April-September 2008-09 as compared to 10.0 per cent in April-September 2007-08. (*Refer Appendix II*). During the last year, the capital goods production has maintained its momentum and these goods would be deployed in production of consumer goods and consumer durables in the near future as a result of this the economy continues to be robust though it may not be able to reach the GDP growth rate of around 9 per cent achieved in 2007-08, but indications are that with recent slow down the economy would be able to maintain the growth rate of **‘close to 8 percent’** during 2008-09.

B) International

Following the Summit of G20, the industrialized and emerging market economies held in Washington on November 15, 2008 the leaders announced a series of immediate and longer-term actions to stabilize the financial system, to stimulate domestic demand help emerging and developing economies battered by the crisis and strengthen the regulatory framework. They stressed their commitment to ensuring that the International Monetary Fund (IMF), the World Bank and other multilateral financial institutions had sufficient resources to continue playing their role in overcoming the crisis. Japan has announced its intention to lend the IMF an extra US\$ 100 billion to boost its resources.

They agreed that action plan would be a step by step to make international co-operation stronger so as to resolve global financial crisis. It was agreed to support the IMF capacity to contribute these efforts. The declaration gives the IMF a central role both in terms of crisis response and suggesting how to reform world financial markets.

The G20 comprises 7 major industrialized countries Britain, Canada, France, Italy, Japan, Germany and the United States – plus Argentina, Australia, Brazil, China, India, Indonesia, Mexico, Russia, Saudi Arabia, South Africa, South Korea and Turkey. IT also includes the 27 nation European Union, which was represented by Spain. The Managing Director of IMF Strauss-Kahn said, “The Summit was significant because of the people present. A new world economic order is developing that is more dynamic and more inclusive than any we have yet seen”. The Managing Director of IMF reiterated the point which he had stressed earlier in the letter to G20 finance ministers that each country’s fiscal stimulus can be twice as effective in raising domestic output growth if its major trading partners also have a stimulus package.

The draft declaration of the summit underlined that developing economies including India must have greater voice and representation in the IMF, at present its quota of 1.29 per cent or US\$ 6 billion in the IMF is hardly representative of over US\$ 1 trillion size of its economy. The G20 Finance Minister in their preparatory meeting at Sao Paulo (Brazil) agreed in principal to expand the membership of Financial Stability Forum.

Immediate and more important demand of India was to impress upon the World Bank to significantly, hike its resource flow from US\$ 3 billion and in response to this the bank has now agreed to open a separate US\$ 9 billion window for infrastructure fund in addition to its annual commitment to India over the next three years.

The Summit declaration indicated that G20 must refrain from raising new barriers to investment or to trade in goods and services or impose new export restrictions on implementing WTO in consistent measure to stimulate exports. This would help Indian exports to grow mildly despite shrinking global market. Finally, the summit agreed on a time table on March 31, 2009 to enhance guidelines for valuation of securities and disclosure of complex financial instruments that triggered the global financial crisis. It was also agreed that IMF can the expanded FCF must develop recommendation on executive compensation and leverage that have largely been responsible for the present crisis.

It was agreed that the second summit will be held by April 30, next year.

Source : White House News : Press Release dated November 15, 2008

Capital Market Review

The BSE Sensex closed on 31st October 2008 at 9788.06 points and during the first ten days the index has been moving downwards and on November 14, 2008 it closed at 9385.42 registering a decline of 402.64 points. During the second fortnight of the month, the Sensex experienced a steady fall and touched a low of 8451.01 points on November 20, 2008. On November 21, 2008 (Friday) the Sensex rose for the first time in eight days, ending the preceding seven days decline by 20 per cent in the index. On this day when the Sensex rose Reliance Industries Ltd. which experiences seven day decline rose by 6.5 per cent, HDFC Bank also rose by 4.3 per cent. The Sensex gained 464.2 points or 5.5 per cent to 8915.21 points.

The Mumbai blast which took place from November 26 – 28, 2008 took a toll on the performance of the market. The Sensex then closed at 9092.72 on November 28, thus the decline in the Sensex during the month was 695.34 from the close on October 31, 2008. During the second fortnight of the month when the market was experiencing decline the Information Technology, oil and gas, capital goods and healthcare companies were found to have performed relatively better, and the sectors which were hard hit by this down trend were reality and autos.

The global financial companies losses on the right down of the US sub-prime mortgage market are estimated to be nearly US\$ 1 trillion which eventually toppled Leman Brothers holding Inc. resulted note only declines in the Asian Markets but also in the Sensex. And the decline in this index was around 56 per cent. The crude oil which has touched the high in July 2008 fell to US\$ 50 per barrel. Some market participants think that crude oil is likely to bounce bank to US\$ 100 per barrel.

	November	October	November	October	(% Change)		
	2008	2008	2007	2007	[1] / [2]	[1] / [3]	[2] / [4]
Major Indices	[1]	[2]	[3]	[4]	[5]	[6]	[7]
BSE Sensex – Close	9092.72 (28.11.08)	9788.06 (31.10.08)	19363.19 (30.11.07)	19837.99 (31.10.07)	(7.10)	(53.04)	(50.66)
Monthly High	10631.12 (04.11.08)	13055.67 (01.10.08)	19976.23 (02.11.07)	19977.67 (29.10.07)	(18.57)	(46.78)	(34.65)
Monthly Low	8451.01 (20.11.08)	8509.56 (27.10.08)	18526.32 (22.11.07)	17328.52 (01.10.07)	(0.69)	(54.38)	(50.89)
S&P CNX Nifty –Close	2755.10	2885.60	5762.75	5900.65	(4.52)	(52.19)	(51.10)
P/E Ratio : BSE – 30	11.60	11.80	26.20	25.52	(1.69)	(55.73)	(53.76)
FII Investments (Equity+ Debt)							
Inflows – Rs. Cr.	39488.70	52286.6	88510.5	135411.8	(24.48)	(55.39)	(61.39)
Outflows – Rs. Cr.	37871.30	69492.2	94829.5	112321.7	(45.50)	(60.06)	(38.13)
Net – Rs. Cr.	1616.70	(17205.4)	(6319.2)	23090.4	(109.40)	(125.58)	(174.51)
Cum. Net Inv–US\$ Mn. (Month End)	59148.20	58747.4	67750.3	69316.8	0.68	(12.70)	(15.25)

There are a total of 1,571 foreign funds registered with the Securities & Exchange Board of India (SEBI). The FIIs were also reported to have sold their equity holdings heavily. This has put the pressure on the Indian rupee which may experience further depreciation from the present level. The cumulative net investment of the FIIs from end-November 2007 to end-November 2008 was from US\$ 69.32 billion to US\$ 59.15 and thereby registering a decline of US\$ 10.17 billion. This decline has taken place steadily during major part of 2008.

Industry : Aluminium

I Introduction

Aluminium is abundantly present in the earth's crust. The ore of the metal i.e. bauxite generally occurs in the tropical and sub tropical areas of earth and estimated deposits of 65 billion ton. Production of aluminium from bauxite ore requires three stages i.e. mining of the ore, refining of the ore to produce alumina and finally smelting of alumina into aluminium. To obtain one ton of metal 2 tons of alumina is required and for the producing 1 ton of alumina, 2-3 tons of bauxite is required. The only ore other than bauxite that is used for extracting aluminium in some areas is nepheline. The major producers of primary aluminium in the world are :

- | | | |
|----------------------------|----------------|------------------------|
| ➤ United States of America | ➤ Australia | ➤ Bahrain |
| ➤ Russia | ➤ Brazil | ➤ United Arab Emirates |
| ➤ Canada | ➤ Norway | ➤ India |
| ➤ European Union | ➤ South Africa | ➤ New Zealand |
| ➤ China | ➤ Venezuela | |

Aluminium is preferred over other metals because it is a unique combination of strength, durability, flexibility and yet is impermeable, lightweight and corrosion-resistant. It is also 100 per cent recyclable. It is light weight, i.e. its density is one-third that of steel. It is a good conductor of electricity and a kilogram of aluminium cable carries twice as much electricity as one kilogram of copper. It transmits conducted heat and reflects radiant heat, making it an excellent medium from which to produce cooking utensils and foils, radiators and building insulation. Aluminium's combination of strength with low density makes it ideal metal for transport and packaging applications.

II. Production of Aluminium in India

It is estimated that if the country's aluminium consumption rate maintains, it would be having the reserves for over 350 years. In India, the production of aluminium is highly concentrated and is in the hands of the following four companies :

- Bharat Aluminium Co.Ltd. (BALCO)
- Hindustan Aluminium Co. Ltd. (HINDALCO)
- National Aluminium Co.Ltd. (NALCO)
- Madras Aluminium Co.Ltd. (MALCO)

BALCO and NALCO represent the public sector and HINDALCO and MALCO represent the private sector of the country. Earlier a company named INDAL was also indulged in the production of aluminium independently but in year 2000, it was taken over by HINDALCO and now it works as a subsidiary of the parent company.

(i) Bharat Aluminium Co.Ltd. (BALCO)

BALCO is a member of the Sterlite Group and a leading producer of Aluminium with integrated mining, captive power and manufacturing assets in Korba, Chhattisgarh. BALCO's current revenue base of Rs.1000 crores is poised for a 4-fold increase to Rs.4000 crores, on completion of the ongoing expansion programmes.

BALCO was established by the Government of India as a public sector undertaking in 1965. Its management control and 51% equity stake was disinvested to Sterlite Industries (I) Limited in 2001. BALCO's assets include aluminium and captive bauxite mines, captive power plants, refineries and smelters. BALCO is ISO 9001:2000 certified.

BALCO operations can be categorized into four major activities:

- Mining
- Smelting
- Refining
- Fabrication

World primary aluminium consumption increased to 38.0 million tonnes in Current Year 2007 or 9.5 per cent from 34.7 million tonnes in Current Year 2006, primarily due to increased demand from China which accounted for over 30.0 per cent of global consumption in this period. Consumption is expected to grow at similar levels in the coming year due to higher levels of demand from China and other emerging markets. Global aluminium production increased to 38.2 million tonnes in Current Year 2007 or 11.0 per cent from 34.0 million tonnes in Current Year 2006 and is expected to reach c42.0 million tonnes in Current Year 2008 due to rapid implementation of new capacity projects in India, China, Middle East, Russia and South America.

The majority of aluminium produced in India is consumed in the electrical, transportation, building and construction and packaging industries. Indian demand for primary aluminium increased at a compound annual growth rate of 13.0 per cent between Current Year 2002-07 on the back of high demand from the electrical, construction and transportation sector. Electrical applications continue to be the largest end-use sector in India, consuming approximately 36.0 per cent of aluminium production in Current Year 2007 as a result of the continuing drive to provide electricity throughout the country. Transport is also a major consumer, contributing approximately 22.0 per cent of demand, although the average aluminium use in Indian-made automobiles is still approximately one-third of that in western-made automobiles. The demand in India is likely to be robust on the back of strong GDP growth and will grow at similar levels..

(ii) Hindustan Aluminium Co. Ltd. (HINDALCO)

Hindalco Industries Ltd., the flagship company of the Aditya Birla Group. With the expansion at Muri and Hirakud, alumina production has risen up by 34 per cent at Muri and metal production by 39 per cent at Hirakud. The overall metal production was up by 11 per cent. Lower production of rolled products is mainly due to stoppage of cold rolling mill at Bouda, which is now operational. The extrusion production at Alupuram has been impacted by 25 per cent power cut by the state electricity board. Foil production is lower on account of changes in product mix.

III. Indian Aluminium Market

Indian market for aluminium has expanded in the last few years and is directing towards further growth in coming years. Both public and private sector are involved in the production of alumina and aluminium. With the change in time, Indian aluminium sector has undergone drastic changes. Earlier government played an important role in fixing the regulations in trading of aluminium as it had the monopoly in the production of the metal but currently it has lost its control over the price and distribution due to the emergence of private sector. With the take over of INDAL by HINDALCO in the year 2000, it has emerged to be the largest producer of aluminium in India.

Indian production figure for this metal is around 0.8 million ton in a year. That makes it the fifth largest producer of aluminium in the world. India has 5 per cent of the total bauxite deposits in the world that can last for approximately 350 years with the present consumption rate. The consumption of this metal is also on a rising trend with a figure of around 0.618 million ton which is expected to touch 0.78 million ton mark in 2007.

In early 1990s when the Indian economy was liberalised, India identified its export potential and emerged out to be a net exporter of aluminium. India is still an exporter of this metal, though Indian scenario has not been a self-dependent one. Indian exports figures hovers around 82,000 ton annually and the major importer countries of Indian aluminium are :

- Bangladesh
- Egypt
- Iraq
- Sri Lanka

IIIA. The country-wise pattern of primary consumption of aluminium shows China occupies as pre-eminent position among consumers. China is followed by the US, Japan, Germany, South Korea, India, Russia and Italy. The presence of four Asian countries viz. China, Japan, South Korea, and India clearly explains why Asia leads in the global consumption of primary aluminium. All these four Asian giants have become hubs for the global automobile industry, which consumes a major portion of primary aluminium. Chinese consumption of primary aluminium stood at 8,648 K.T. in 2006 in comparison to USA's 6,150 KT, Japan's 2,323 KT and India's 1,080 KT in the same year. Clearly, China is the major driver of demand amongst countries and the pattern of Chinese consumption in coming years will decide the rules of game in this metal. Also, the growth of automobile industry in India is expected to support demand in future.

World's Top Ten Primary Aluminium Consuming Countries (in KT), 2000-06

Country	2001	2002	2003	2004	2005	2006
China*	3492	4115	5178	6043	7119	8648
USA	5230	5509	5667	5800	6114	6150
Japan	2014	2010	2235	2319	2276	2323
Germany	1580	1690	1916	1795	1759	1823
S. Korea	850	921	982	1118	1201	1153
India	589	604	798	9\861	958	1080
Russia	786	990	803	1020	1020	1047
Italy	756	851	956	987	977	1021
Canada	743	747	736	755	801	846
Brazil	553	578	589	651	759	773

*China excluding Hong Kong

Source : ABARE

IV. Major consuming industries of aluminium in India are :

- Power
- Infrastructure
- Transportation
- Aviation Industry
- Construction and packaging
- Consumer's durables
- Domestic demand and supply
- International prices
- Interference of government and various associations
- Import duties
- Other economic activities in the world
- Price fluctuations of the input materials like power, freight, etc.

V. Major trading centers of aluminium

The major trading centers of aluminium in the world are :

- London Metal Exchange (LME)
- Tokyo Commodity Exchange (TOCOM)
- Shanghai Futures Exchange (SHFE)
- New York Mercantile Exchange (NYMEX)

These above commodity exchanges provide movement in the world aluminium prices.

Recent movement in World Aluminium Prices are indicated below :

World Aluminium Prices

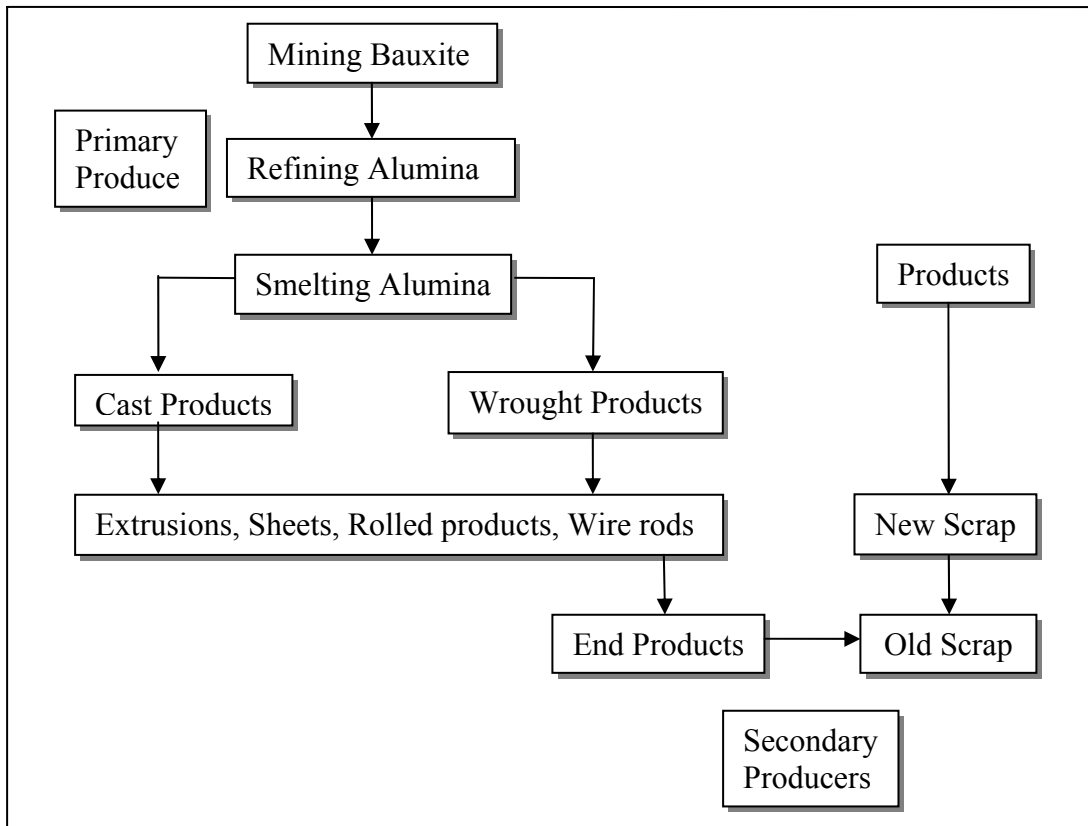
(US\$ per metric tonne)

	2004	2005	2006	2007	2008	
					Jan-March	Apr-May
	1	2	3	4	5	6
Aluminium	1,718.50	1,900.50	2,573.1	2,639.9	2,751.0	2,948.1

Source : IMF : IFS, Oct 2008

In India, aluminium is also traded at various commodity exchanges namely Multi Commodity Exchange of India and National Multi Commodity Exchange of India.

VI. Aluminium Production Process



VII. Global Trade in Aluminium

The total volume of global exports was 17,736 KT in 2006. Global exports peaked to 18,091 KT in 2004 but saw a slump in 2005 at 17,018 KT. The import scenario in this commodity has remained steady since 2000 except during 2001 it witnessed slump.

Russia is the top exporter in the world and exported 3,183 KT of aluminium in 2006, followed by Canada, Australia, Norway and Brazil as the other leading exporters. Canadian and Australian exports amounted to 2,360 KT and 1,618 KT, respectively, in 2006.

USA is the leading importer of aluminium in the world with 3,461 KT imports in 2006. Japan, Germany, South Korea and Italy are other leading importers. Japanese imports amounted to 3,036 KT in 2006 while German imports were at 2,073 KT during the same period. South Korea imported 1,204 KT in 2006.

VIII. Demand and Supply in India

India is among the leading producers and consumers of aluminium in the world. The automobile, electrical, packaging, consumer durables and construction sectors are the major consumers of aluminium. Historically, most of the India's aluminium was consumed by electrical sector due to strict governmental regulation under the Aluminium Control Order, 1970, which made it mandatory for industries to produce 50 per cent of the total aluminium metal output to be of electrical grade. The net result was severe shortages of commercial grade aluminium while demand

for electrical grade Aluminium grew at a sluggish pace. The initiation of new industrial policy by government of India in 1991 was catalytic in bringing down the share of the electrical sector in the consumption pattern. The share of electrical sector in aluminium use has dipped from a high of 52 per cent in 1980-81 to 31 per cent in 2004-05. On the other hand, the share of the automotive sector has increased to 18 per cent during the same period from 11 per cent. Globally, it is the automobile and constructions sectors which consume most of the aluminium. Indian consumption pattern is now gradually aligning to the global consumption pattern and the automobile and construction sector have become major demand drivers in this commodity.

IX. Observation :

There is a bit of aluminium in everyone's life. This statement captures the essence of the future of aluminium. It is a key component in life and is present every where from cars to aeroplanes, from office-buildings to beverage cans. Its unique combination of properties makes it ideal for an almost endless range of applications and an essential part of modern living.

Other Markets

Debt Market

The month of October 2008 witnessed muted activities in the primary issuance market. Only one issue from DLF Ltd. was made to the tune of Rs.100.00 crore.

	Name of the Issuer	Rate %	Duration	Rating	Amount (Rs. Crore)	Type of Instrument
i)	DLF Ltd.	14.00	15 months	AA	100	Bonds/NCDs

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

Call Money Market

The call money market rate on November 14, 2008 in respect of borrowings ranged between 4.20% and 10.09% as compared to the rates of 5.00% - 9.75% on November 16, 2007 (i.e. a year ago) reflecting that there was a mix trend in movement of the interest rates. The average daily turnover in the call money market was Rs.10,497 crore for the week ending November 14, 2008 and this daily turnover rose nominally to Rs.10,952 crore in the week ending November 21, 2008.

Foreign Exchange Market

The exchange rate (RBI reference rate) on November 21, 2008 was Rs.50.03 per US dollar as compared to Rs.48.99 per US dollar on November 17, 2008, that is, a week ago; this reflected a nominal depreciation of the rupee vis-a-vis US dollar. Further, the six month forward premia was 2.66% on November 21, 2008 as compared to a premium of 2.14% on November 17, 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\$ 236.97 billion on November 21, 2008, and inclusive of gold and SDRs and the reserve position in the Fund, the foreign exchange reserves aggregated to US\$ 245.80 billion. From end-March 2008, the foreign exchange reserves registered a decline of US\$ 63.92 billion upto November 21, 2008. The market rate (buying) was Rs.50.12 per US dollar on November 28, 2008.

Important Policy Pronouncements

I. RBI Announces further measures for Liquidity Management and Improving Credit Flow

Dr. D. Subbarao, Governor, Reserve Bank of India, met select bankers from the public and the private sector including foreign banks, on November 28, 2008 to review the current liquidity and credit situation and to get their views on the way forward. After the meeting, it was decided to take the following further measures:

- (i) On November 1, 2008, the Reserve Bank introduced a special refinance facility under Section 17(3B) of the Reserve Bank of India Act, 1934 under which all scheduled commercial banks (excluding RRBs) are provided refinance from the Reserve Bank equivalent to up to 1.0 per cent of each bank's NDTL as on October 24, 2008 at the LAF repo rate up to a maximum period of 90 days. During this period, refinance can be flexibly drawn and repaid. It is clarified that this facility can be rolled over. It has also been decided to continue this facility up to June 30, 2009.
- (ii) On October 15, 2008, the Reserve Bank allowed banks to avail liquidity support under the LAF through relaxation in the maintenance of SLR to the extent of up to 1.5 per cent of their NDTL for the purpose of meeting the funding requirements of NBFCs and MFs. It has now been decided to expand this facility to enable banks to accommodate the funding needs of housing finance companies (HFCs). Banks may apportion the total accommodation allowed above between MFs, NBFCs and HFCs flexibly as per their business needs. The end date for this facility, which is currently March 31, 2009, has been extended to June 30, 2009. There have been queries as to whether this facility can be used for existing exposures. It is clarified that access to this facility is intended for fresh credit to MFs/NBFCs/HFCs and for renewal/rollover, on maturity, of existing facilities.
- (iii) On November 7, 2008, in the context of the global developments and in order to provide flexibility to Indian banks in managing their short-term funding requirements at their overseas offices, the Reserve Bank decided to provide forex liquidity to Indian public and private sector banks having foreign branches or subsidiaries, through forex swaps of tenors up to three months. It has been decided that this facility, which is available on request, will be made available up to June 30, 2009.
- (iv) In view of the difficulties being faced by exporters on account of the weakening of external demand, it was decided to extend the period of entitlement of the first slab of post-shipment rupee export credit, currently available at a concessional interest rate ceiling of the benchmark prime lending rate (BPLR) minus 2.5 percentage points, from 90 days to 180 days with effect from December 1, 2008.

II. RBI's New Economic Boost For Housing

- Provisioning requirements for standard assets cut to a uniform level of 0.40 per cent lowering cost of funds for banks.
- Claims secured by commercial real estate to attract uniform risk weight of 100 per cent as against risk weight of 150 per cent.
- Housing finance companies allowed to raise short-term foreign currency borrowings.

For India Inc.

- Unrated claims on corporates to attract uniform risk weight of 100 per cent.
- RBI to consider proposals from Indian companies to prematurely buy back their FCCBs.

For Exporters

- Period of entitlement of first slab of pre-shipment rupee export credit extended.
- Export credit refinancing facility for scheduled banks extended to 50 per cent from 15 per cent.

For NRIs

- Interest rates on FCNR and NR(E) RA deposit schemes hiked.

Source : *The Sunday Express* : November 16, 2008

III. Some Observations :

The good news is that the Reserve Bank of India has adopted a soft monetary policy stance to shield the Indian economy from the global economic slowdown. The Reserve Bank of India has aggressively cut rates over the past two months. The repo (short-term lending) rate has been cut by 150 bps to 7.5 per cent since October this year and the cash reserve ratio (CRR), the proportion of deposits that banks have to keep with the central bank, reduced by 350 bps to 5.5 per cent. In response, government owned banks lowered prime lending rate by up 75 bps, but large private lenders like ICICI Bank and HDFC Bank are yet to do so. Lower interest will support corporate bottom lines.

APPENDIX I : QUARTERLY & HALF YEARLY ESTIMATES OF GDP AT FACTOR COST DURING 2008-09 (AT 1999-2000 PRICES)

Industry	Quarter April to June				Half Yearly April to September	
	Percentage change over preceding year				Percentage change over preceding year	
	2007-08		2008-09		2007-08	2008-09
	Q1	Q2	Q1	Q2	H1	H1
1. Agriculture, forestry and fishing	4.4	4.7	3.0	2.7	4.5	2.9
2. Mining and quarrying	1.7	5.5	4.8	3.9	3.5	4.4
3. Manufacturing	10.9	9.2	5.6	5.0	10.1	5.3
4. Electricity, gas and water supply	7.9	6.9	2.6	3.6	7.4	3.1
5. Construction	7.7	11.8	11.4	9.7	9.7	10.5
6. Trade, hotels, transport and communication	13.1	11.0	11.2	10.8	12.1	11.0
7. Financing, insurance, real estate and business services	12.6	12.4	9.3	9.2	12.5	9.2
8. Community, social and personal services	5.2	7.7	8.4	7.6	6.5	8.0
GDP at factor cost	9.2	9.3	7.9	7.6	9.3	7.8

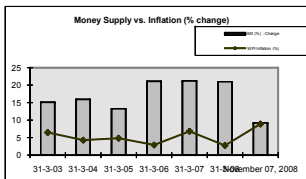
H1 - Half Yearly April to September; Q1 = April-June, Q2 = July-September

Source : CSO Press Release dated November 28, 2008

APPENDIX II: Index Of Industrial Production : Sectoral and Use-Based Classification

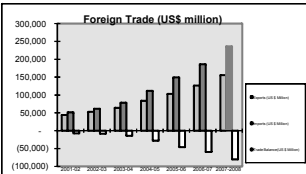
Industry Group	Weight in the IIP	Growth Rate		
		2007-08	2007-08	2008-09P
		April-March	April-September	
1	2	3	4	5
Sectoral				
Mining	10.5	5.1	4.9	3.8
Manufacturing	79.4	9.0	10.0	5.2
Electricity	10.2	6.3	7.7	2.5
Use-Based				
Basic Goods	35.6	7.0	9.3	3.7
Capital Goods	9.3	18.0	20.2	10.6
Intermediate Goods	26.5	8.9	9.9	0.1
Consumer Goods (a+b)	28.7	6.1	5.5	7.7
a) Consumer Durables	5.4	-1.0	(-)3.2	6.8
b) Consumer Non-durables	23.3	8.5	8.7	8.0
General	100.0	8.5	9.5	4.9

P : Provisional Source : Government of India, PIB dated November 12, 2008



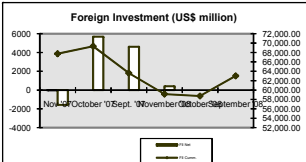
	31-3-03	31-3-04	31-3-05	31-3-06	31-3-07	31-3-08	November 07, 2008
M3 (Rs. Crore)	17,26,222	20,03,102	22,53,938	27,29,535	33,10,278	40,06,722	43,77,847
M3 (%) : Change	15.14	15.95	13.30	21.10	21.27	21.04	9.26
WPI (Index) All Commodities	172.30	180.30	189	196.6	210.0*	215.8**	235.0***
WPI Inflation (%)	6.49	4.29	4.83	4.29	6.82	2.76	8.90

Source: RBI Bulletin, November 2008; WSS: November 28, 2008; \$1993-94=100, yearmonth-end. * March 31, 2007 ** November 10, 2007 *** November 08, 2008



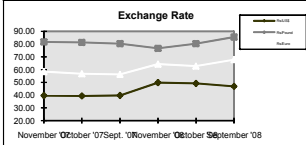
During the Year	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	April-Sept, 08
Exports (US \$ Million)	43,827	52,719	63,843	83,936	103,091	126,414	155,512	94,973
Imports (US \$ Million)	51,413	67,412	78,149	111,517	149,195	185,735	235,911	154,744
Trade Balance (US \$ Million)	(7,586)	(8,693)	(14,306)	(27,581)	(46,075)	(59,321)	(80,398)	(59,771)

Source: RBI Bulletin, November 2008; Revised figures for 2001-02 to 2007-08 (April-March); *DGCI&S data for April 2006 to March 2007 (Provisional); Economic & Political Weekly, November 22, 2008



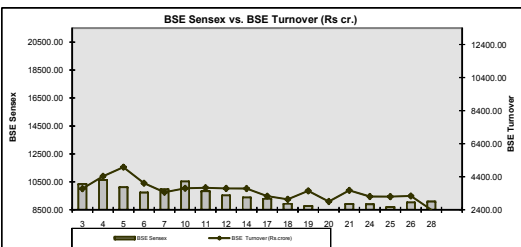
	2007-08 (US\$ million)			2008-09 (US\$ million)		
	Nov '07	October '07	Sept. '07	November '08	October '08	September '08
FDI Net	(1,566.6)	5,683.5	4,808.6	400.8	(4,265.3)	(1,258.00)
FDI Cum.	67,730.30	69,316.80	63,633.50	59,148.20	58,747.40	63,012.50

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



	2007-08			2008-09		
	November '07	October '07	Sept. '07	November '08	October '08	September '08
Ru/US\$	39.67	39.35	39.74	49.84	49.25	46.94
Ru/Pound	81.78	81.35	80.34	75.81	80.39	85.57
Ru/Euro	58.46	58.75	58.30	64.38	62.81	67.79

Figures are for month-end



November 2008	BSE Sensex Close	BSE Turnover (Rs.crore)
31-Oct-08	9788.06	3717.00
3	10337.68	3679.00
4	10631.32	111.00
5	10120.00	4984.00
6	9734.22	4011.00
7	9964.29	3458.00
10	10536.16	3703.00
11	9839.69	3731.00
12	9536.33	3680.00
14	9385.42	3686.00
17	9291.01	3230.00
18	8937.20	3032.00
19	8773.78	3546.00
20	8451.00	2900.00
21	8915.21	3580.00
24	8903.12	3207.00
25	8695.53	3196.00
26	9024.72	3233.00
28	9092.72	2396.00



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 19.11.08	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 19.11.08	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	4.12	3.48	3.2	2.60	0.79	0.67	-1.1	0.92	1.00	-40.4	-36.2	-0.4
			Oct							Sep	Aug	
U. S. A.	1.32	3.32	3.7	3.50	1.00	1.00	-3.2	-2.38	1.27	-851.1	-699.0	-4.6
			Oct							Sep	Q2	
Britain	3.98	4.04	4.5	2.10	0.66	0.49	-3.8	-0.52	0.84	-185.5	-82.9	-3.0
			Oct							Sep	Q2	
Japan	0.73	1.47	2.1	-0.20	96.90	108.00	-3.0	-1.37	122.66	64.8	185.9	4.0
			Sep							Sep	Sep	
Sweden	3.15	3.30	4.0	2.70	8.06	6.30	2.4	-0.85	10.20	19.0	38.6	7.7
			Oct							Sep	Q2	
Switzerland	2.00	2.41	2.6	1.30	1.21	1.10	0.9	-0.60	1.53	17.7	60.2	12.0
			Oct							Oct	Q2	
India	7.33	7.94	9.8	6.40	50.00	39.40	-4.3	-2.47	63.25	-106.5	-21.9	-3.2
			Sep							Sep	Q2	

Source : The Economist London / November 22nd-28th, 2008

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 2008	Real Rate (Short-term) (1-3)	Currency unit per Euro 19.11.08	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 19.11.08	A Year ago				Trade Account (US\$ bn)	Current Account (US\$ bn)	
	1	2	3	4	5	6	7	8	9	10	11	12
China	3.69	3.06	4.0	6.50	6.83	7.41	0.4	-0.31	8.65	265.2	371.8	8.9
			Oct							Oct	2007	
Hongkong	2.10	1.45	1.8	3.20	7.75	7.78	-1.0	0.30	9.81	-27.2	27.5	10.3
			Oct							Oct	Q2	
Indonesia	12.40	14.87	11.8	5.80	11900.00	9405.00	-1.4	0.60	15063.25	17.3	6.3	0.5
			Oct							Sep	Q2	
Malaysia	3.65	4.70	8.2	1.80	3.61	3.38	-5.0	-4.55	4.57	41.9	35.3	12.8
			Sep							Sep	Q2	
Singapore	0.78	2.34	6.7	2.70	1.53	1.45	0.8	-5.92	1.94	20.6	32.8	17.4
			Sep							Oct	Q2	
South Korea	5.49	5.91	4.8	3.00	1447.00	929.00	1.0	0.69	1831.65	-12.2	-10.6	-2.3
			Oct							Oct	Sep	
Taiwan	2.45	1.78	2.4	5.30	33.30	32.30	-1.7	0.05	42.15	6.5	28.8	5.8
			Oct							Oct	Q3	
Thailand	3.85	3.67	3.3	2.50	35.00	33.80	-1.9	-0.05	44.30	3.7	5.4	-0.4
			Oct							Sep	Sep	
Brazil	13.83	6.16	6.4	4.10	2.38	1.79	-1.6	7.23	3.01	26.5	-25.2	-1.8
			Oct							Oct	Sep	
Venezuela	17.63	6.55	35.6	17.20	5.18	6.23	1.6	-17.97	6.56	41.9	49.4	14.8
			Oct							Q2	Q3	
India	7.33	7.94	9.8	6.40	50.00	39.40	-4.3	-2.47	63.25	-106.5	-21.9	-3.2
			Sep							Sep	Q2	

Source : The Economist London / November 22nd-28th, 2008

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