



Update on Indian Economy July 2009

Economic Snapshot

Contents	Item	Units	June	May	June	(% Change				
			2009	2009	2008	[1]/[2]	[1]/[3]			
			[1]	[2]	[3]	[4]	[5]			
			- Editorial	WPI -Index*	1993-94=100	232.7	232.0	236.5	0.3	(1.6)
			- Capital Market	WPI -Inflation**	Per cent	(1.6)	0.6	11.0		
- Union Budget		Week ended	(06.06.09)	(09.05.09)	(07.06.08)					
- Other Markets	IIP (93-94=100)	2 months lag	270.1	297.9	268.3	(9.3)	0.67			
- Important Policy Pronouncements			(Apr. 09)	(Mar 09)	(Apr.08)					
	INR / US\$	Month End	47.95	47.29	42.95	1.4	11.6			
	M3	Rs. '000 Cr.	4939.70	4918.61	4099.96	0.4	20.5			
	[i] Agg.Deposits	Rs. '000 Cr.	4244.93	4220.96	3495.77	0.6	21.4			
	[ii] Currency	Rs. '000 Cr.	694.77	697.2	604.19	-0.3	15.0			
		(Outstanding as on)	(05.06.09)	(08.05.09)	(06.06.08)					
	Call Money	% Range	2.20-3.30	2.25-4.30	5.50-8.40	-	-			
	(Lendings)	Week ended	(12.06.09)	(29.05.09)	(13.06.08)					

Source: RBI Weekly Statistical Supplement June 26, 2009 & Economic & Political Weekly June 20, 2009

*All Commodities. **Over the year.

Editorial

A) Domestic

According to the Economic Survey 2008-09, the GDP at factor cost was over 9 percent in the first three quarters of 2007-08, and it fell slightly in the fourth quarter to 8.6 percent clocking an average of 9.0 for the year 2007-08. In the first two quarters of 2008-09 the GDP growth was 7.7 percent but subsequently in the last two quarters i.e. October to December 2008, and January to March 2009 the GDP growth registered 5.8 percent in each quarter. This was largely on account of the melt down worldwide though the fiscal stimulus was provided in December 2008. Its effect was somewhat delayed with the result the growth rate for the year 2008-09 worked out to 6.7 percent. In the preceding two years the GDP growth rate was 9.5 percent in 2005-06 and 9.7 percent in 2006-07. Apart from melt down, growth rate of private consumption declined from 8.5 percent in 2007-08 to 2.9 percent in 2008-09 whereas that of government consumption rose from 7.4 percent in 2007-08 to 20.2 percent in 2008-09 with the result the rate of GDP at market prices declined rather slowly from 9.1 percent in 2007-08 to 6.1 percent in 2008-09.

The Union Budget for 2009-10 announced on July 6, 2009 will focus on consumption in the rural areas for which slew of policy measures to prop up the rural economy were announced in the budget; for example, the credit flow to agriculture which was Rs.287 thousand crore in 2008-09 is targeted to increase by 13.2 percent to Rs.325 thousand crore during 2009-10, apart from debt relief and interest subvention schemes for short term crop loans to be provided at concessional rate of 7.0 percent.

B) International

BRIC Summit

The leaders of the four major developing countries in the world, Brazil, Russia, India and China which is collectively known as BRIC, held their first ever summit meeting on June 16, 2009 in Russia. BRICs cover one-fourth of the world's land area and contribute 40% of world population, 15% of world GDP and 42% of global currency reserves. As described by the Russian President Dmitry Medvedev in his statement, it was and historical event with exceptional significance. Agenda included global financial crisis, G-20 policy, reshaping IMF, climate change, food and energy security and increased interaction between BRIC countries. The 16-point statement was announced as the conclusions they had arrived after the meeting. Following are synopsis of the 16-point statement

➤ Global Financial Crisis

It states that the BRIC nations are committed to their roles played in dealing with the financial crisis as discussed earlier in G-20 summit in London on April 2, 2009. They look forward improving international trade and investment environment for World economic recovery.

➤ Reshaping IMF

There is need for democratic and transparent decision-making and implementation process at the international financial organizations. The emerging and developing economies must have greater voice and representation in the international financial institutions. BRIC countries believe in strong need for stable, predictable and more diversified international monetary system.

➤ Climate Change

Global climate change should be tackled collective on the principle of common but differentiated responsibility to fulfill socio-economic development tasks.

➤ Food and energy security

BRIC countries would cooperate among each other in the energy field to decrease uncertainty and ensure stability and sustainability. They also considered the statement of global food security and contribution by the BRIC nations toward the sustainable conditions for this goal.

➤ Increased interaction

There would be more cooperation among BRIC countries in incremental, proactive, pragmatic, open and transparent way. Brazil will host the next BRIC summit in 2010.

Capital Market Review

BSE Sensex ended positive with slight gains of 0.9% to 15,238 while NSE Nifty ended flat (down 0.1%) to 4587 on week ending June 12, 2009. Profit booking was witnessed In Mid and Small Cap stocks with both the indices falling 3.2% and 6.9% respectively. Sectoral indices showed mixed trend during the week.

The spate of profit booking continued in during the next week. As a result BSE Sensex registered a loss of 4.7% to 14,522 and NSE Nifty lost 5.9% to 4,314 on June 20, 2009. SEBI announced several measures including the concept of 'anchor investor' in public issues, scraping entry loads on mutual fund investments and more or less halving fees for intermediaries such as brokerages and FIIs. Among the sectoral indices, BSE Oil and Gas lost a steep 10.7% on a gas dispute between RNRL & RIL. After the verdict in favour of RNRL by the Bombay High Court, RIL saw a sell-off to the tune of losing 13.5%. Whereas RNRL outperformed the indices registering 6.0% rise. ONGC also lost whopping 10.4% on concern over subsidies.

The performances were turned around in the week ended on June 27, 2009 as compared to previous week. The markets ended on positive note with BSE Sensex gaining 1.7% to 14,765 and NSE Nifty closed higher by 1.4% to 4,376. BSE Mid and Small Cap outperformed Sensex by rising 4.3% and 3.3% respectively. Selling pressure was seen in BSE Metal and BSE Oil and Gas indices.

The benchmark BSE Sensex closed at 14,493.84 and broad NSE Nifty ended at 4291.10 in the month of June 2009. BSE Sensex registered high of 15,466.81 and NSE Nifty registered highest at 4655.25 on June 10, 2009.

The stock market which has risen in celebration of the installation of Dr. Manmohan Singh's Government second time experienced a significant decline in the Sensex which fell by as much as 870 points or 5.83 percent to 14,043.40 on the presentation of Union Budget 2009-10 on July 06, 2009.

	June	May	June	May	(% Change		
	2009	2009	2008	2008	[1]/[2]	[1]/[3]	[2]/[4]
Major Indices	[1]	[2]	[3]	[4]	[5]	[6]	[7]
BSE Sensex – Close	14493.84 (30.06.09)	14625.25 (29.05.09)	13461.60 (30.06.08)	16415.57 (30.05.08)	(0.9)	7.61	(10.91)
Monthly High	15466.81 (10.06.09)	14625.25 (29.05.09)	16063.18 (02.06.08)	17600.12 (02.05.08)	5.75	(3.71)	(16.9)
Monthly Low	14265.23 (18.06.09)	11682.99 (11.05.09)	13802.22 (27.06.08)	16275.59 (27.05.08)	22.11	3.36	(28.22)
S&P CNX Nifty –Close	4291.10 (30.06.09)	4448.95 (29.05.09)	4040.55	4870.10	(3.55)	6.20	(8.65)
P/E Ratio : BSE – 30	19.02	19.87	16.50	19.80	(4.28)	15.27	(0.35)
FII Investments (Equity+ Debt)							
Inflows – Rs. Cr.	76072.5	81265.9	63153.5	58966.1	(6.39)	20.46	37.82
Outflows – Rs. Cr.	71173.7	63860.6	74248.0	64140.5	11.45	(4.14)	(0.44)
Net – Rs. Cr.	4898.8	17405.3	(11094.5)	(5174.4)	(71.85)	(144.16)	(436.37)
Cum. Net Inv–US\$ Mn. (Month End)	65507.6	64448.6	63817.1	66567.3	1.64	2.65	(3.18)

The net cumulative Foreign Institutional investments (FIIs) till end of June 2009 stood at US\$ 65.51 billion, and these increased by US\$ 1.06 billion during the month.

Union Budget 2009-10

Hon'ble Finance Minister Pranab Kumar Mukherjee, presented to Parliament on July 06, 2009 the Union Budget for the year 2009-10. The highlights of the budget are :

I. Overview of the Economy :

- The structure of India's economy changed over the last ten years with contribution of the services sector to GDP at well over 50 percent and share of merchandise trade doubling to 38.9 percent of GDP in 2008-09.
- Recognising economic recovery and growth as co-operative effort of the Central and State Governments, meeting with Finance Ministers of States held as part of preparation of the Budget. This is intended to become an annual feature.
- To counter the negative fallout of the global slowdown on the Indian economy, Government responded by providing three focused fiscal stimulus packages in the form of tax relief and increased expenditure on public projects along with RBI taking a number of monetary easing and liquidity enhancing measures.
- The fiscal stimulus at 3.5 percent of GDP at current market prices for 2008-09 amounts to Rs.1,86,000 crore.

II. Agriculture Development :

- Target for agriculture credit flow set at Rs.3,25,000 crore for the year 2009-10. In 2008-09 agriculture credit flow was at Rs.2,87,000 crore.
- Interest subvention scheme for short term crop loans up to Rs.3 lakh per farmer at the interest rate of 7 percent per annum to be continued. Additional subvention of one percent to be paid from this year, as incentive to those farmers who repay short term crop loans on schedule. Additional allocation of Rs.411 crore over Interim B.E. 2009-10 made for this

III. Restoring Export Growth :

- Interest subvention of 2 percent on pre-shipment credit for seven employment oriented export sectors extended beyond the current deadline of September 30, 2009 to March 31, 2010.
- To facilitate flow of credit at reasonable rates, Rs.4,000 crore provided as special fund out of Rural Infrastructure Development Fund (RIDF) to Small Industries Development Bank of India (SIDBI). This will incentive Banks and State Finance Corporations (SFCs) to lend to Micro and Small Enterprises (MSEs) by refinancing 50 percent of incremental lending to MSEs during the current financial year.
- Adjustment assistance scheme to provide enhanced Export Credit and Guarantee Corporation (ECGC) cover at 95 per cent to badly hit sectors extended upto March 2010.

IV. Towards Inclusive Development :

(a) National Rural Employment Guarantee Scheme (NREGS)

- Allocation under NREGS increased by 144 percent to Rs.39,100 crore in B.E. 2009-10 over B.E. 2008-09.

- To increase productivity of assets and resources under NREGA, convergence with other schemes relating to agriculture, forests, water resources, land resources, rural roads initiated. In the first stage 115 pilot districts selected for convergence.
- (b) Bharat Nirman**
 - Allocation for **Bharat Nirman** increased by 45 percent in 2009-10 over B.E. 2008-09. Allocations under Pradhan Mantri Gram Sadak Yojana (PMGSY) increased by 59 percent over B.E. 2008-09 to Rs.12,000 crore in B.E. 2009-10. Under Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY), allocation increased by 27 percent to Rs.7,000 crore.
 - Allocation under **Indira Awaas Yojana (IAY)** increased by 63 percent to Rs.8,800 crore in B.E. 2009-10. Allocation of Rs.2,000 crore made for Rural Housing Fund (RHF) in National Housing Bank (NHB) to boost the resource base of NHB for refinance operations in rural housing sector.
- (c) Pradhan Mantri Adarsh Gram Yojana (PMAGY)**
 - New scheme Pradhan Mantri Adarsh Gram Yojana (PMAGY) with an allocation of Rs.100 crore launched on pilot basis for integrated development of 1000 villages having population of scheduled castes above 50 percent.

V. Empowerment of Weaker Sections :

- There are over 22 lakh Women's Self Help Groups linked with banks. Reach of SHGs to be widened to enroll at least 50 percent of all rural women in India as members of SHGs over the next five years.
- The **Swarna Jayanti Gram Swarozgar Yojana (SGSY)** restructured as National Rural Livelihood Mission to make it universal in application, focused in approach and time bound for poverty eradication by 2014-15. In addition to capital subsidy at enhanced rate, interest subsidy to poor households to be provided for loans upto Rs.1 lakh from banks.
- To enable students from economically weaker sections to access higher education, a scheme to provide full interest subsidy during the period of moratorium introduced to cover loans taken from scheduled banks to pursue any of the approved courses of study in technical and professional streams from recognized institutions in India.

VI. Education :

- Provision for the scheme "Mission in Education through ICT" substantially increased to Rs.900 crore and the provision for setting up and up-gradation of Polytechnics under the Skill Development Mission enhanced to Rs.495 crore.
- Rs.827 crore allocated for opening one Central University in each uncovered State.
- Rs,2,113 crore allocated for IITs and NITs which includes a provision of Rs.450 crore for new IITs and NITs.
- The overall Plan budget for higher education is to be increased by Rs.2,000 crore over Interim B.E. 2009-10.

VII. Tax Proposals :

a) General

- Tax reform, like all reforms, is a process and not an event. Thrust of reforms has been to improve the efficiency and equity of our tax system. This is sought to be achieved by eliminating distortions in the tax structure, introducing moderate levels of taxation and expanding the base and accompanied by requisite re-engineering of key business processes coupled with automation.
- Recent initiative, on direct taxes side, of the setting up of a Centralised Processing Centre (CPC) at Bengaluru where all electronically filed returns and paper returns filed in entire Karnataka, will be processed.
- Centre's Tax GDP ratio has increased to 11.5 percent in 2008-09 from a low of 9.2 percent in 2003-04. Share of direct taxes in the Centre's tax revenues has increased to 56 percent in 2008-09 from 41 percent in 2003-04, reflecting sharp improvement in equity of our tax system.
- Agreement has been reached on the basic structure of GST in keeping with the principles of fiscal federalism enshrined in the Constitution. Broad contour of the GST Model envisages dual GST comprising of a Central GST and a State GST. The Centre and the States will each legislate, levy and administer the Central GST and State GST, respectively.

(b) Direct Taxes

- No changes made in the Corporate Tax rates.
- Exemption limit in personal income tax raised by Rs.15,000 from Rs.2.25 lakh to Rs.2.40 lakh for senior citizens; by Rs.10,000 from Rs.1.80 lakh to Rs.1.90 lakh for women tax payers; and by Rs.10,000 from Rs.1.50 lakh to Rs.1.60 lakh for all other categories of individual tax payers.
- Deduction under section 80-DD in respect of maintenance, including medical treatment, of a dependent who is a person with severe disability being raised from the present limit of Rs.75,000 to Rs.1 lakh.
- Surcharge on various direct taxes to be phased out; in the first instance, by eliminating the surcharge of 10 percent on personal income-tax.
- Fringe Benefit Tax on the value of certain fringe benefits provided by employers to their employees to be abolished.
- Minimum Alternate Tax (MAT) to be increased to 15 percent of book profits from 10 percent. The period allowed to carry forward the tax credit under MAT to be extended from seven years to ten years.
- Commodity Transaction Tax (CTT) to be abolished.
- Donations to electoral trusts to be allowed as a 100 percent deduction in the computation of the income of the donor.
- Deductions under section 80E of the Income-tax Act allowed in respect of interest on loans taken for pursuing higher education in specified fields of study to be extended to cover all fields of study, including vocational studies, pursued after completion of schooling.
- To mitigate the practical difficulties faced by charitable organizations, anonymous donations received by charitable organizations to the extent of 5 percent of their total income or a sum of Rs.1 lakh, whichever is higher, not to be taxed.

(c) Indirect Taxes

- Proposals on indirect taxes to seek to achieve stable framework by maintaining the overall rate structure for customs and central excise duties as well as service tax.

(i) Direct Taxes

- List of specified raw materials and equipment imported by manufacturer-exporters of leather goods, textile products and footwear industry which are fully exempt from customs duty, subject to specified conditions to be expanded.
- Customs duty on 10 specified life saving drugs / vaccine and their bulk drugs to be reduced from 10 percent to 5 percent with Nil CVD (by way of excise duty exemption).
- Customs duty on specified heart devices, namely artificial heart and PDA /ASD occlusion device, to be reduced from 7.5 percent with Nil CVD (by way of excise duty
- Customs duty on 'mechanical harvester' for coffee plantation to be reduced from 7.5 percent to 5 percent. CVD on such harvesters has also been reduced from 8 percent to nil by way of excise duty exemption.
- Customs duty on serially numbered gold bars (other than tola bars) and gold coins to be increased from Rs.100 per 10 gram to Rs.200 per 10 gram. Customs duty on other forms of gold to be increased from Rs.250 per 10 gram to Rs.500 per 10 gram. Customs duty on silver to be increased from Rs.500 per Kg. to Rs.1000 per Kg. These increases also to be applicable when gold and silver (including ornaments) are imported as personal baggage.

(ii) Central Excise Duties

- Specific component of excise duty applicable to large cars / utility vehicles of engine capacity 2000 cc and above to be reduced from Rs.20,000/- per vehicle to Rs.15,000/- per vehicle.
- Excise duty on petrol driven trucks / lorries to be reduced from 20 percent to 8 percent. Excise duty on chassis of such trucks / lorries to be reduced from '20 percent + Rs.10000' to '8 percent +Rs.10000'.
- Benefit of SSI exemption scheme to be extended to printed laminated rolls bearing the brand name of others by excluding this item from the purview of the brand name restriction.

(iii) Service Tax

- Service Tax to be imposed on the following services :
 - Service provided in relation to transport of goods by rail.
 - Service provided in relation to transport of coastal cargo; and goods through inland water including National Waterways.
 - Advice, consultancy or technical assistance provided in the field of law (this tax would not be applicable in case the service provider or service receiver is an individual)
 - Cosmetic and plastic surgery service.
- Exemption from Service Tax (leviable under Banking and other financial services or under Foreign exchange broking service) being provided to inter-bank purchase and sale of foreign currency between scheduled banks.

- Two taxable services, namely, ‘Transport of goods through road’ and ‘Commission paid to foreign agents’ to be exempted from the levy of service tax, if the exporter is liable to pay service tax on reverse charge basis. However, present cap of 10 percent on commission agency charges is retained. Thus there would be no need for the exporter to first pay the tax and later claim refund in respect of these services
- For other services received by exporters, service tax exemption to be operated through the existing refund mechanism based on self-certification of the documents where such refund is below 0.25 percent of FOB value, and certification of documents by a Chartered Accountant for value of refund exceeding the above limit.
- Export Promotion Councils and Federation of Indian Export Organisations (FIEO) to be exempt from service tax on the membership and other fees collected by them till 31st March 2010.

Tax proposals on direct taxes to be revenue neutral. On indirect taxes, estimated net gain to be Rs.2,000 crore for a full year..

VIII. Conclusion :

At the outset the Finance Minister has mentioned in the Budget that economy faces challenges which are as follows :

- To lead economy to high GDP growth rate of 9 percent per annum at the earliest.
- To deepen and broaden the agenda for inclusive development.
- To improve delivery mechanisms of the government.

Firstly, the Budget is all pervasive with a focus on the rural sector, because it is this sector which will tend to expand the horizon of consumption. **Secondly**, the Budget has removed irritants in the corporate sector by eliminating the Fringe Benefit Tax (FBT), Commodity Transaction Tax (CTT). From the corporate angle this is the first attempt in rationalizing the corporate tax structure. According to one analyst, the corporate tax rate works out to 33.9 percent (30 percent base +10 percent surcharge + 3 percent cess). In addition a company pays 15 percent Dividend Distribution Tax (DDT). Prior to this Budget the inclusive of Fringe Benefit Tax and DDT, the corporate tax rate could be in the range of 40-50 percent. The basic corporate tax rates in the other BRIC countries are : Brazil 15 percent, Russia 20 percent, and China 25 percent the corporate would get relief. With the removal of the two taxes, the corporates would have liked the tax rate to be brought down to 25 percent. This may happen over the next 3-5 years but when it happens, then it will result in increase of the cash flows and in that eventuality in the corporate sector would have more cash flows which in turn would lead to further investment and growth.

Thirdly, the Budget has made attempt to promote infrastructure growth, but little on the disinvestment front and public private partnership. The Finance Minister is fully aware and has indicated that time for disinvestment has not yet arrived, and may be, this commitment would be made in the period to come.

Table : Receipts and Expenditure : Union Budget 2009-10

(Rs.thousand crore)				
	2007-2008 Actuals	2008-2009 Budget Estimates	2008-2009 Revised Estimates	2009-2010 Budget Estimates
1. Revenue Receipts	541.9	602.9	562.2	614.5
2. Tax Revenue (net to Centre)	439.5	507.2	466.0	474.2
3. Non-tax Revenue	102.3	95.8	96.2	140.3
4. Capital Receipts (5+6+7)\$	170.8	147.9	338.8	406.3
5. Recoveries of Loans	5.1	4.5	9.7	4.2
6. Other Receipts	38.8	10.2	2.6	1.1
7. Borrowings and other Liabilities*	126.9	133.3	326.5	401.0
8. Total Receipts (1+4)\$	712.7	750.9	901.0	1020.8
9. Non-plan Expenditure	507.6	507.5	618.0	695.7
10. On Revenue Account of which	420.9	448.4	561.8	618.8
11 Interest Payments	171.0	190.8	192.7	225.5
12. On Capital Account	86.7	59.1	56.2	76.9
13. Plan Expenditure	205.1	243.4	283.0	325.1
14. On Revenue Account	173.6	209.8	241.7	278.4
15. On Capital Account	31.5	33.6	41.3	46.8
16. Total Expenditure (9+13)	712.7	750.9	901.0	1020.8
17. Revenue Expenditure (10+14)	594.4	658.1	803.4	897.2
18. Capital Expenditure (12+15)	118.2	92.8	97.5	123.6
19. Revenue Deficit (17-1)	52.6	55.2	241.3	282.7
	(1.1)	(1.0)	(4.4)	(4.8)
20. Fiscal Deficit {16-(1+5+6)}	126.9	133.3	326.5	401.0
	(2.7)	(2.5)	(6.0)	(6.8)
21. Primary Deficit (20-11)	-44.1	-57.5	133.8	175.5
	-(0.9)	-(1.1)	(2.5)	(3.0)

Note :The figures have been rounded upto 1000 crore

\$ Does not include receipts in respect of Market Stabilization Scheme

* Includes draw-down of Cash Balance.

Fourthly, Revenue receipts are estimated at Rs.614.5 thousand crore and the capital receipts at Rs.406.3 thousand crore which are roughly about 2/3rd of the revenue receipts. Total receipts are budgeted at Rs.1020.8 thousand crore which are higher by 35.9 percent than the budget estimate of Rs.750.9 thousand crore in 2008-09.

On the expenditure side the total non-plan expenditure is budgeted at Rs.695.7 thousand crore, and of which Rs.618.8 thousand crore or 88.9 percent is on revenue account. The expenditure on capital account is relatively small at Rs.76.9 thousand crore. Plan expenditure is budgeted at Rs.325.1 thousand crore. The revenue deficit is placed at Rs.282.7 thousand crore as compared to the revised estimate of Rs.241.8 thousand crore in 2008-09.

Finally, the fiscal deficit is projected to increase to 6.8 percent from 2.7 percent in 2007-08; this is considered to be tolerable in the short-run but there is a need for fiscal consolidation if the growth momentum is to be maintained. Subsequently, the Finance Minister*, in a meeting with the private corporate sector indicated that the fiscal deficit would be brought down to 5.5 percent in 2010-11 and to 4 percent in 2011-12.

Other Markets

Debt Market

The primary issuance market remained muted during the month of May 2009. Tata Steel Ltd., a Non-Financial Services Institution, was the biggest issuer for the month with an issue size of Rs. 650.9 crore. Among the Banks, Corporation Bank was the only issuer with the size of Rs. 500 crore.

	Name of the Issuer	Duration	Rating	Amount (Rs. Crore)	Type of Instrument
I.	Bank :				
i.	Corporation Bank	15 years	AAA	500	Upper Tier II Bonds
II.	Non -Financial Service Institutions :				
i.	Tata Steel Ltd.	10 years	AA+	650.90	Bonds
ii.	Amtek Auto Ltd.	-	AA	80	NCD
iii.	Marico Ltd	3 years	AA	30	Bonds/NCDs

(Source : Credit Analysis & Research Ltd., June, 2009)

Call Money Market

The call money rate on June 12, 2009 in respect of borrowings ranged between 2.20% and 3.30% as compared to the rates of 5.50% - 8.40% on June 13, 2008 (i.e. a year ago) reflecting that there was greater liquidity in the market leading to softening of interest rates. The average daily turnover in the call money market was Rs.8,088 crore for the week ending June 12, 2009 and this rose to Rs 10,104 crore on June 19, 2009.

Foreign Exchange Market

The exchange rate (RBI reference rate) on June 19, 2009 was Rs.48.13 per US dollar as compared to Rs.47.94 per US dollar on June 15, 2009, 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 2.87% on June 19, 2009 as compared to a premium of 2.80% on June 15, 2009 (a week ago), which reflects that supply of dollars is likely to become relatively hard in the forthcoming weeks. The foreign currency assets were US\$ 252.81 billion on June 19, 2009, and inclusive of gold and SDRs and the reserve position in the Fund, the foreign exchange reserves aggregated to US\$ 263.65 billion. From end-March 2009, the foreign exchange reserves registered a decline of US\$ 11.67 billion upto June 19, 2009. The market rate (buying) was Rs. 47.95 per US dollar on June 30, 2009.

*Business Line July 08, 2009

Important Policy pronouncements

Hon'ble Railway Minister Mamata Banerjee, presented to Parliament on July 03, 2009 the Railway Budget for the year 2009-10. The highlights of the budget are :

I. Introduction :

- “Inclusive growth” and expansion of rail network to reach development to every corner of the country is core to development approach.
- Economically unviable projects need to be viewed with social perspective being economic necessity for backward areas and under privileged.
- Expert committee to advise on innovative financing and implementation of such projects

II. Monitoring :

- 50 stations to be developed as world class stations.
- 375 stations to be upgraded as ‘Adarsh Stations’ with basic facilities including drinking water, adequate toilets, ladies dormitories, etc.
- Multi-functional complexes to be constructed at 50 railway stations serving centres of pilgrimage, tourist and industry. To have shopping facilities, food stalls, budget hotels, etc.

III Freight and Parcel Business :

- Premium service for container movement with assured transit time being considered.
- Private ownership of special purpose rolling stock for commodities and private operation of freight terminals will be encouraged.
- Mega logistic hubs being planned alongside Eastern and Western Dedicated Freight Corridors.
- Kisan-Vision project – Running special trains from production clusters to consumer centers for perishable products like fruits and vegetables to reduce wastage and also for village handicraft, cottage industry and textile products to increase outreach and access to new markets for rural produce. Temperature controlled cargo centres to be encouraged.
- Premium Parcel services named Faster Parcel Services on pilot basis on three routes to run with guaranteed transit time from dedicated terminals.

IV Landmark Initiatives :

- Dedicated Freight corridors declared ‘Diamond Rail Corridors’.
- Foundation being laid for development of Eastern Industrial Corridor alongside the Eastern Freight Corridor.
 - Railways’ land banks to be productively utilized to catalyze development in this corridor.
 - Investment in rolling stock production and assembly facilities proposed for development of rail based industrial cluster drawing upon advantage of proximity to mines, labour force and metal works market.
- Setting up of a new factory at Kanchrapara-Halisahar Railway Complex with annual capacity of 500 EMU / MEMU and Metro coaches in Joint Venture / Public-Private Partnership mode.
- Proposal to initiate action for setting up 1000 MW power plant with Ministry of Power at Adra, in under developed tribal area.

- State of the art training facilities proposed at Dankuni for young artisans and supervisors, thereby contributing to national talent pool.

V. Financial Performance in 2008-09 :

- Freight loading at 833 million tones (MT) grew @ 5 percent on previous year.
- Traffic receipts also increased by 11.4 percent to reach Rs.79,862 crore.
- Cash surplus before dividend Rs.17,400 crore after disbursing Rs.13,600 crore towards implementation of 6th Central Pay Commission.
- Railways paid full dividend liability of Rs.4,717 crore to Government.
- Investible surplus of Rs.12,681 crore generated.
- Annual Plan expenditure was Rs.36,336 crore.

VI. Budget Estimates 2009-10 :

- Freight loading targeted at 882 MT – an increment of 49 MT; number of passengers likely to grow by around 6 percent.
- Gross Traffic Receipts (GTR) estimated at Rs.88,419 crore i.e. Rs.8,557 crore more than 2008-09.
- Ordinary Working Expenses budgeted at Rs.62,900 crore to cover the full year impact of VI CPC and the payment of 60 percent arrears due in 2009-10.
- The dividend payable to General Revenues kept at Rs.5,479 crore.
- Budgeted Operating Ratio 92.5 percent.

VII. Other New Train Services :

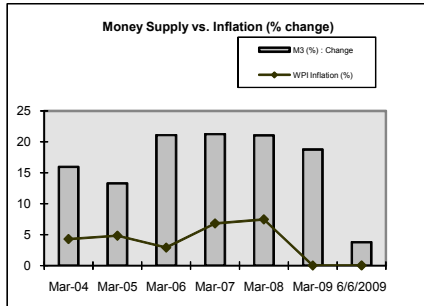
- 57 new train services to be introduced
- Extension of 27 trains also envisaged
- Frequency of 13 trains to be increased.

VIII. Annual Plan 2009-10 :

- Plan outlay is Rs.40,745 crore. Increase of Rs.2,840 crore on interim budget.
 - New lines outlay – Rs.2,921 crore; increase of 166 percent on interim budget
 - Gauge conversion - Rs.1,750 crore; increase of 24 percent on interim budget
 - Passenger amenities – Rs.1,102 crore - 119 percent on interim budget excluding PPP provision, which is unlikely to materialize
 - Staff Quarters – Rs.335 crore; increase of 49 percent on interim budget
 - Staff Amenities – Rs.424 crore; increase of 79 percent on interim budget
- Acquisition of 18,000 wagons in 2009-10 against 11,000 in 2008-09
- Additional budgetary support of Rs.1,949 crore sought for 11 national projects.
- Feasibility study for energy efficient rail based system to provide connectivity to suburban system in Kolkata, Mumbai and Chennai.
- Proposals for better integration of passengers' movement in Kolkata suburban area.
- Quazigund-Anantnag new Line to be completed by August 2009.
- Creation of Northeast Rail Development Fund under consideration for timely completion of national projects in N.E. Region.
- New proposals for better rail connectivity proposed to be processed which include 53 for new lines, 3 for gauge conversion works and 12 for doubling.

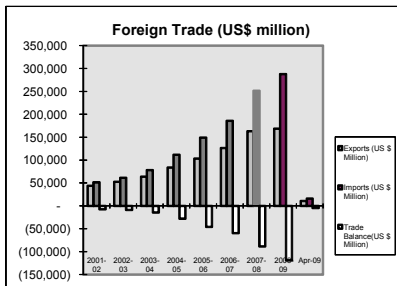
IX. Other important announcements :

- Setting up of an expert committee headed by Shri Sam Pitroda to suggest innovations to utilize optic fibre cable network of Railways and take information technology to door steps in remote areas.
- Project Monitoring Committee for developing mechanism to avoid slippage in project delivery. Special monitoring for National Projects.
- Revision in Tatkal Scheme to make it more user friendly. Advance booking period reduced. Minimum charge reduced to Rs.100.
- No increase in passenger fares and freight tariffs.



	Mar-04	Mar-05	Mar-06	Mar-07	Mar-08	Mar-09	6/6/2009
M3 (Rs. Crore)	20,03,102	22,53,938	27,29,535	33,10,278	40,06,722	4,758,504	4,939,696
M3 (%) : Change	15.95	13.30	21.10	21.27	21.04	18.76	3.81
WPI (Index) All I	180.30	189	196.6	210	225.7*	227.3**	232.7***
WPI Inflation (%)	4.29	4.83	2.91	6.82	7.47	0.01	0.02

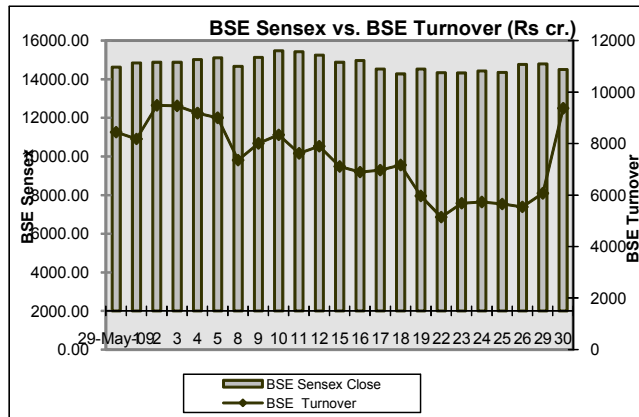
Source: RBI Bulletin March 2009; W:SS1993-94=100; year/month-end; * March 31, 2001** March 07, 2008 *** June 06, 2009



During the Year	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	Apr-09
Exports (US \$ Million)	43,827	52,719	63,843	83,536	103,091	126,361	163,132	168,704	10,743
Imports (US \$ Million)	51,413	61,412	78,149	111,517	149,166	185,749	251,654	287,759	15,747
Trade Balance (US \$ Mill)	(7,586)	(8,693)	(14,306)	(27,981)	(46,075)	(59,388)	(88,522)	(119,055)	(5,004)

Source: Ministry of Comm Revised figures for 2001-02 to 2007-08 (April-March)

*DGCI&S data for April 2008 to March 2009(Provisional) : Economic & Political Weekly, June 20, 2009



June 2009	BSE Sensex Close	BSE Turnover (Rs.crore)
29-May-09	14625.25	8444
1	14840.63	8178
2	14874.91	9477
3	14870.9	9461
4	15008.68	9175
5	15103.55	8997
8	14655.92	7358
9	15127	8002
10	15466.81	8340
11	15411.47	7619
12	15237.94	7897
15	14875.52	7106
16	14957.91	6892
17	14522.84	6969
18	14265.53	7163
19	14521.89	5960
22	14326.22	5144
23	14324.01	5684
24	14422.73	5727
25	14345.62	5655
26	14764.64	5541
29	14785.74	6065
30	14493.84	9365



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 27.05.09	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 27.05.09	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	1.27	3.56	0.6	3.30	0.72	0.64	-5.7	0.67	1.00	-56.8	-145.2	-1.0
			Apr							Mar	Mar	
U. S. A.	0.25	3.70	-0.7	3.90	1.00	1.00	-13.2	0.95	1.39	-730.4	-673.3	-3.3
			Apr							Mar	Q4	
Britain	1.25	3.73	2.3	3.00	0.62	0.50	-13.8	-1.05	0.86	-156.7	-44.6	-1.7
			Apr							Mar	Q4	
Japan	0.47	1.47	-0.3	1.20	95.10	105.00	-6.3	0.77	132.08	10.0	118.2	1.6
			Mar							Mar	Mar	
Sweden	0.37	3.68	0.10	3.40	7.65	5.98	-4.7	0.27	10.63	13.1	40.3	7.1
			Apr							Apr	Q4	
Switzerland	0.40	2.41	-0.3	2.30	1.09	1.04	-2.0	0.7	1.51	18.0	53.3	7.5
			Apr							Apr	Q4	
India	3.27	7.31	8.0	7.90	47.70	42.70	-7.7	-4.73	66.25	-109.0	-37.5	-3.0
			Mar							Mar	Q4	

Source : The Economist London : May 30th-June 5th, 2009
**RPI Inflation rate -1.2 in Jan.

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 27.05.09	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 27.05.09	A Year ago				Trade Account (US\$ bn)	Current Account (US\$ bn)	
	1	2	3	4	5	6	7	8	9	10	11	12
China	1.22	3.26	-1.5	8.5	6.83	6.94	-3.5	2.72	9.49	300.5	400.7	6.9
			Apr							Apr	Q2	
Hongkong	0.37	2.50	0.8	5.4	7.75	7.81	-4.3	-0.23	10.76	-23.8	30.6	7.8
			Apr							Apr	Q4	
Indonesia	8.10	7.92	7.3	6.8	10310.00	9300.00	-3.2	0.8	14319.44	7.3	-0.8	0.5
			Apr							Mar	Q1	
Malaysia	2.09	2.86	3.0	3.0	3.50	3.24	-8.2	-0.91	4.86	43.5	39.1	11.5
			Apr							Mar	Q4	
Singapore	0.50	2.18	-0.7	7.5	1.45	1.36	-4.1	1.2	2.01	17.1	27.1	17.2
			Apr							Apr	Q4	
South Korea	2.41	5.00	3.6	4.1	1270.00	1037.00	-5.6	-1.19	1763.89	3.3	7.4	1.2
			Apr							Apr	Mar	
Taiwan	0.85	1.41	-0.5	3.9	32.50	30.50	-5.0	1.35	45.14	11.2	29.2	9.7
			Apr							Apr	Q1	
Thailand	1.40	3.02	-0.9	6.2	34.40	32.40	-4.7	2.3	47.78	7.8	5.9	2.7
			Apr							Mar	Mar	
Brazil	10.16	6.16	5.5	5.0	2.01	1.67	-2.0	4.66	2.79	27.0	-19.8	-1.2
			Apr							Apr	Apr	
Venezuela	16.00	6.55	29.4	29.3	6.47	3.15	-5.3	-13.4	8.99	32.5	26.2	0.4
			Apr							Q1	Q1	
India	3.27	7.31	8.0	7.9	47.70	42.70	-7.7	-4.73	47.70	-109.0	-37.5	-3.0
			Mar							Mar	Q4	

Source : The Economist London : May 30th-June 5th, 2009

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