



Update on Indian Economy May 2011

Economic Snapshot

Contents	Item	Units	April	March	April	(% Change	
			2011	2011	2010	[1]/[2]	[1]/[3]
			[1]	[2]	[3]	[4]	[5]
-Editorial	WPI -Index*	1993-94=100	148.0	146.0	135.8	1.4	9.0
-Capital Market	WPI -Inflation**	Per cent	9.0	8.3	9.9		
-Census		Week ended	(Mar. 2011)	(Feb 2011)	(Mar.10)		
-Other Markets	IIP (93-94=100)	2 months lag	342.9	360.0	318.5	(4.8)	7.7
-Important Policy Pronouncement			(Feb 2011)	(Jan 2011)	(Feb 10)		
	INR / US\$	Month End	44.31	44.62	44.44	(0.69)	(0.29)
	M3	Rs. '000 Cr.	6628.68	6359.20	5640.05	4.24	17.53
	[i] Agg.Deposits	Rs. '000 Cr.	5697.11	5453.57	4855.46	4.47	17.33
	[ii] Currency	Rs. '000 Cr.	931.57	905.63	784.6	2.86	18.73
		(Outstanding as on)	(08.04.2011)	(25.02.2011)	(09.04.2010)		
	Call Money	Weighted Average %	6.31	6.91	1.25-3.75	-	-
	(Lendings)	Week ended	(08.04.2011)	(04.03.2011)	(09.04.2010)		

Source: RBI Weekly Statistical Supplement April 22, 2011 & Economic & Political Weekly April 23, 2011

*All Commodities. **Over the year.

Editorial

A) Domestic

It appears to be accepted now that in the current fiscal year the emerging global and domestic environment is a little inclement to opt for a growth path that aims at the Indian economy achieving the desired rate of 9 %. The Reserve Bank in its recent monetary policy perspective, notwithstanding the preliminary forecast of a normal monsoon, foresees a likely growth rate of 8 % for the Indian economy in the current fiscal and has clearly opted for greater emphasis on inflation control from the monetary policy perspective.

While on the global front, advanced economies appear to have successfully thwarted the risk of a 'double dip', the recovery is far too slow to warrant any hopes for global demand to help in improving the growth rate. Moreover, in the current environment of supply uncertainties, commodity prices, in particular that of crude oil, a higher growth path could fuel further inflation that would eventually hamper growth. Therefore, growth for India might have to be largely internally driven, notwithstanding the recent surge in exports.

On the domestic front, however, in the absence of long term measures to boost agricultural productivity, output in this sector is expected to revert back to the trend rate in the current fiscal, which will partly result in slowing down the GDP growth rate. Additionally, the industrial sector is passing through a phase of a temporary slowdown and capacity constraints / bottlenecks. The fact the output of capital goods and investments have slowed down will also constraint an accelerated growth path. This is, perhaps, a year for contemplation on the emergent policy issues and consolidation of the Indian economy to revert to a higher growth path in the medium term.

Apart from longer term initiatives in the agricultural sector, the government will have to contemplate more on how in the global environment of risks with regard to commodity / food prices and supply-demand imbalances will be managed (via export-import-distribution management) so as to reduce the risk of inflation. Other important policy issues to consolidate on would be with regard to funding of the current account deficit via greater direct investments and clear policy on pricing / subsidies in the oil sector.

B) International

Employment Situation in US: Based on seasonally adjusted Household data the number of employed persons stood at 139.674 million, which was lower compared to the preceding month. However, compared to April 2010 the employment numbers rose by 292000 persons.

The number of unemployed persons was 13.747 million in April 2011, compared to 13.542 in the preceding month. The unemployment rate in April 2011 was 8.96% compared to 8.83% in March 2011. A year earlier, in April 2010, the number of unemployed persons was 15.138 million corresponding to an unemployment rate of 9.8%.

An analysis of the crude trend composition of unemployed persons over the last year indicates new entrants / re-entrants have found it relatively difficult as compared to 'job losers' to get employment. Thus, the proportion of entrants / re-entrants in total unemployed persons, which was 32.8 % in April 2010 rose to 34.2 % as of April 2011, whereas the proportion of persons who had lost jobs or were on temporary employment declined from 61% in April 2010 to 59.2% in April 2011. While this could, to some extent, explain the sustained 'consumption' demand in recent months, it, perhaps, also indicated that there was still much uncertainty in the US economy regarding the future, with 'agents' preferring to employ experienced persons relative to new entrants / persons who had been out of the 'mainstream'. The proportion of persons who have voluntarily opted out of work also appears to be on the rise, with the proportion of such persons rising from 6.2% in April 2010 to 6.9% in April 2011. This, perhaps, signified that a segment of the unemployed may be seeking to opt for 'skill formation', which would be beneficial to them once the economy revived towards the 'full employment' trajectory.

After logging an annualised growth rate of over 3 % during Q4 of 2010, the US economy's performance, as per advance estimates for Q1 of 2011 at 1.8% was a little disappointing. The stagnation in the employment level during March / April 2011 is, perhaps, the outcome of this development.

Employment Situation in EU 27: The estimated number of employed persons in EU 27 stood at 240.294 million persons as of March 2011, compared to 238.340 million as of March 2010.

The number unemployed persons (seasonally adjusted) were 22.828 million in March 2011 as compared to 23.119 million as of March 2011. Consequentially, the unemployment rate was 9.5% in March 2011 relative to 9.5% as of March 2011. There was virtually no change in the employment situation in March 2011 as compared to February 2011.

Poland, Bulgaria, Hungary, Slovakia, Greece, Estonia, Ireland, Latvia, Lithuania and Spain Unemployment was at much higher levels than the EU 27 average of 9.5%. The highest unemployment level of 20.7% was recorded in Spain. Netherlands, Austria and Luxembourg were among the countries recording unemployment rates below 5%.

IMF's World Economic Outlook (WEO): The WEO, published by the IMF in April 2011, consolidates on the perception provided in update of January 2011, of a gradual revival in advanced economies, resulting in the employment situation normalising only over a few years and an impending deceleration in emerging and developing economies in 2011/2012 due to global as well as local developments. While it posits that the risk of "double-dip" recession no longer exist as diminishing fiscal policy support has been replaced by advancing private demand, new risks / factors have emerged that need policy-makers to have a 'medium-term' policy perspective rather than a short term view.

While financial conditions, though improved, continue to remain fragile, particularly in 'advanced economies', to some extent constraining the revival, in many emerging /developing economies demand is robust. The latter poses the danger of 'overheating' in view of evolving adverse developments.

Rising food and commodity prices, in particular oil, due to a complexity of factors, as well as the likely setback to nuclear power expansion programmes, in the aftermath of the Japanese crisis, resulting in boost in substitution of fossil fuels for energy needs and the consequential upward impact on prices of crude could dampen the expansion in global GDP during 2011/2012. Besides, weak sovereign/bank balance sheets in many advanced economies and the continuing weakness in real estate markets present major concerns for growth. However, the risks to growth arising from the foregoing factors could be mitigated owing to strong corporate balance sheets in advanced economies and the buoyant demand in emerging and developing economies.

The WEO projects that the rate of increase of global output, with an estimated growth rate of 5% in 2010, will slacken to 4.4 % in 2011 and should be around 4.5% in 2012. The slackening growth rate would be distributed globally. The Advanced economies, which logged a growth rate of 3 % in 2010, would register growth rates of 2.4% and 2.6% respectively in 2011 and 2012 respectively. This slowdown would mainly be accounted by the Other Advanced Economies segment of which Newly Industrialised Asian Economies is an important group. The WEO also projects that the Emerging and Developing Economies segment would also recede from a growth rate of 7.3% in 2010 to 6.5% over the next 2 years. In the latter segment the WEO foresees that both China and India will register lower growth rates over the next two years. China, which experienced a growth rate of 10.3% in 2010, is expected to grow by 9.6% and 9.5% in 2011 and 2012, respectively. India, after a growth rate of 10.4% in 2010, should slowdown to 8.2% in 2011 and 7.6% in 2012.

The projections of the WEO are based on assumptions with regard to oil prices / interest rate trends over the next two years as well as how policy issues are addressed. Though policy stances would have to vary according local situations the WEO prescribes the general direction policies should take in Advanced and Emerging / Developing Economies.

With respect to advanced economies it suggests that recovery would be bolstered if policy makers adopt a path of fiscal consolidation, strengthen the financial system and adopt a reasonably accommodative monetary policy (to the extent warranted by wage pressures / inflationary expectations). As regards emerging / developing economies it advises a tightening of macroeconomic policies to avoid 'overheating' of the economies to curb inflation and stabilize medium term growth.

The WEO posits that the 'rebalancing' efforts, it had talked about in October, have not been adequate and this area needs to be addressed in right earnest in the ensuing period.

Census 2011 – Highlights – Comments (part 1)

Introduction

The 15th decadal census was conducted in February-March 2011 to ascertain the population as of 1st March. The census exercise was preceded by a massive survey of houses / dwellings during the period April-September 2010. The provisional results of the census were published in April 2011. We present here the first part of the salient features of the results based on an exhaustive report published by the Census of India.

Population

The population (provisional) of India at 0:00 hours of 1st March, 2011 is 1,210,193,422 compared to a total of 1,028,737,436 in 2001. This is estimated to be 17.5% of the world population.

Thus, every 6th person in the world is an Indian. The population of India is almost equal to the combined population of U.S.A., Indonesia, Brazil, Pakistan, Bangladesh and Japan put together- the population of these six countries totals 1214.3 million.

In absolute terms, the population of India has increased by more than 181.45 million during the decade 2001-2011, which is roughly equivalent to the population of Pakistan. This was lower than the absolute growth 182.31 million recorded in the preceding decade. Incidentally, this is the first time since the 1931 census that the absolute growth has been lower than that recorded in the preceding decade.

Consequently, the decadal growth rate reduced to 17.64 % as compared to 21.54 % recorded in the decade ended March 2001.

The average annual exponential growth rate for the decade ended 1st March 2011 works out to 1.64 % compared to 1.97 % in 2001 census. This was higher than the world average of 1.23 %.

State-wise Distribution of Population

Table – 1 provides the provisional distribution of population on a State-wise / Union Territory-wise basis in descending order of population. As may be observed Uttar Pradesh was the most populous State, while Lakshadweep was the least populous.

The top five States out of 35 States / UTs accounted for close to 49 % of India's population, while the top 11 States / UTs had 80 % of the population. The top 17 States 9 or almost 50% of the Federal / administrative divisions accounted for close to 95 % of the population.

As compared to the last Census there have been a few changes in ranking brought about by relative differences in the annual average exponential growth rates during the decade. Thus, the following changes in Ranking may be observed –

- Madhya Pradesh (new rank 6, old rank 7)
- Tamil Nadu (new rank 7, old rank 6)
- Chhattisgarh (new rank 16, old rank 17)
- Haryana (new rank 17, old rank 16)
- Mizoram (new rank 29, old rank 30)
- Chandigarh (new rank 30, old rank 29)

Child Population

The child population in the age group of 0 to 6 years was 158.8 million provisionally, compared to 163.8 million reported in the in the 2001Census, which is indicative of a decline in the birth rate, relatively higher age of marriage and gender imbalances.

Of the total children in this age bracket 52.24% were males, reflecting a gender bias in Indian society in favour of males. Notably gender bias in favour of males appeared most pronounced in Haryana (54.65%), Punjab (54.16%) Delhi (53.58%), Chandigarh (53.57%), Rajasthan (53.12%), Maharashtra (53.10%), Uttarakhand (53.04%) and Gujarat (53.03%) Five States viz., Uttar Pradesh (18.72%), Bihar (11.70%), Maharashtra (8.09%), Madhya Pradesh (6.64%) and Rajasthan (6.62%) accounted for close to 52 % of the children in this age group.

Table-1
Ranked Distribution of Population – Census 2011 (Provisional)

Rank 2011	State / Union Territory	Number 2011	% Share	Cumulative Total (%)
1	Uttar Pradesh	199581477	16.49	16.49
2	Maharashtra	112372972	9.29	25.78
3	Bihar	103804637	8.58	34.35
4	West Bengal	91347736	7.55	41.90
5	Andhra Pradesh	84665533	7.00	48.90
6	Madhya Pradesh	72597565	6.00	54.90
7	Tamil Nadu	72138958	5.96	60.86
8	Rajasthan	68621012	5.67	66.53
9	Karnataka	61130704	5.05	71.58
10	Gujarat	60383628	4.99	76.57
11	Orissa	41947358	3.47	80.04
12	Kerala	33387677	2.76	82.79
13	Jharkhand	32966238	2.72	85.52
14	Assam	31169272	2.58	88.09
15	Punjab	27704236	2.29	90.38
16	Chhattisgarh	25540196	2.11	92.49
17	Haryana	25353081	2.09	94.59
18	NCT of Delhi	16753235	1.38	95.97
19	Jammu & Kashmir	12548926	1.04	97.01
20	Uttarakhand	10116752	0.84	97.85
21	Himachal Pradesh	6856509	0.57	98.41
22	Tripura	3671032	0.30	98.72
23	Meghalaya	2964007	0.24	98.96
24	Manipur	2721756	0.22	99.19
25	Nagaland	1980602	0.16	99.35
26	Goa	1457723	0.12	99.47
27	Arunachal Pradesh	1382611	0.11	99.58
28	Puducherry	1244464	0.10	99.69
29	Mizoram	1091014	0.09	99.78
30	Chandigarh	1054686	0.09	99.86
31	Sikkim	607688	0.05	99.91
32	Andaman & Nicobar	379944	0.03	99.95
33	Dadra & Nagar Haveli	342853	0.03	99.97
34	Daman & Diu	242911	0.02	99.99
35	Lakshadweep	64429	0.01	100.00
	Total →	1210193422	100.00	

The sex ratio among children in this age group works out to 914 in 2011. In the 2001 census the ratio was 927. Could this be due to younger parents consciously indulging in ‘sex selection’ of their progeny especially in states where the ratio is below 900.

The top five States / UTs with the highest sex ratio amongst children of this age group were Mizoram (971), Meghalaya (970), Assam (967), Andaman & Nicobar (966), Puducherry (965), and Arunachal Pradesh (960). Incidentally, the sex ratio for Kerala is 959.

Out of 35 States / UTs in 14 the sex ratio was below the national average for children in this age group. Out of these 14 states / UTs, 10 had sex ratio below 900, comprising of Haryana (830), Punjab (846), J & K (859), Delhi (866), Chandigarh (867), Maharashtra (883), Rajasthan (883), Gujarat (886), Uttarakhand (886) and Uttar Pradesh (899).

(To be concluded)

Capital Market Review

The stock markets displayed a sideways movement during the month of April 2011, reflecting a position where markets were yet to strike a firm direction for the year. Undoubtedly, a directional call would emerge over the next quarter as market players absorb news on fiscal 2010-11 corporate performance, global economic variables in particular crude oil prices / performance of advanced economies, monetary policy direction and the likely monsoon and make discount for major uncertainties.

The BSE Sensex, which closed at 19445 in March 2011, largely remained range bound between 19100 and 19600 levels during April 2011. Though the Sensex peaked at 19697 on 13th April, it could not sustain the level, petering down to 19136 on April 2011.

The S & P Nifty largely remained range bound between 5700 and 5900 levels in April 2011. After attaining a peak of 5911 on 13th April, the Index gradually eroded to 5749 on 29th April 2011.

The markets have shown weakness in the initial days of May especially the latest rise in interest rates, especially savings bank rate, announced by the Reserve Bank of India in its Monetary Policy Statement of May 3, 2011.

	April	March	April	March	(%) Change		
	2011	2011	2010	2010	[1]/[2]	[1]/[3]	[2]/[4]
Major Indices	[1]	[2]	[3]	[4]	[5]	[6]	[7]
BSE Sensex – Close	19,135.96 (29.04.2011)	19,445.22 (31.03.2011)	17558.71 (30.04.2010)	17527.77 (31.03.2010)	(1.59)	8.98	10.94
Monthly High	19,701.73 (04.04.2011)	19,445.22 (31.03.2011)	17970.02 (07.04.2010)	17711.35 (29.03.2010)	1.32	9.64	9.79
Monthly Low	19,091.17 (18.04.2011)	17839.05 (21.03.2011)	17380.08 (28.04.2010)	16772.56 (02.03.2010)	7.02	9.85	6.36
S&P CNX Nifty –Close	5749.50	5833.75	5278.00	5249.10	(1.44)	8.93	11.14
P/E Ratio : BSE – 30	20.50	21.10	20.60	21.30	(2.84)	(0.49)	(0.94)
FII Investments (Equity+ Debt)							
Inflows – Rs. Cr.	76731.70	76889.80	74374.3	85229.0	(0.21)	3.17	(9.78)
Outflows – Rs. Cr.	69536.00	70007.50	61981	55791.6	(0.67)	12.19	25.48
Net – Rs. Cr.	7196.10	6882.90	12393.1	29437.7	4.55	(41.93)	(76.62)
Cum. Net Inv–US\$ Mn. (Month End)	123174.80	121558.70	92116.01	85229.0	1.33	33.72	42.63

The cumulative investment by FIIs stood at US\$ 123.17 billion in April 2011, and this reflected an increase of US\$ 1.62 billion over the previous month.

Other Markets

Debt Market

The month of March 2011 there were as many as 97 new corporate debt issues for a total amount of Rs.29377.47 crore. This may be attributed to the year-end effect, with most corporates raising debt at the end of the financial year.

	Name of the Issuer	Duration (yrs)	Rating	Amount (Rs. Crore)	Type of Instrument
I.	Bank :				
1.	Export-Import Bank of India	3/5/10	AAA	715.6	Bonds/NCD
2.	ICICI Bank Ltd.	10	AAA	2000	Bonds/NCD
3.	IDBI Bank Ltd.	15	AA+	1,856.1	Bonds/NCD
4.	Indian Overseas Bank	15	AA+	967	Bonds/NCD
5.	NABARD	5/3	AAA	3,165	Bonds/NCD
6.	National Housing Bank	5	AAA	1,000	Bonds/NCD
II.	Financial Service Institutions :				
1.	Barclays Investments and Loans (India) Ltd.	3.33	AA+pp	49.94	Bonds/NCD
2.	Housing Development Finance Corp. Ltd.	1/2/3/5/10	AAA	4,875	Bonds/NCD
				530	Bonds/NCD
3.	ICICI Home Finance Co. Ltd.	3/2.92	AAA	221	Bonds/NCD
4.	IDFC Ltd	15/2/1.08	AAA	1044	Bonds/NCD
				145	
5.	Infrastructure Leasing & Financial Services Limited	10	AAA	525	Bonds/NCD
6.	Indiabulls Financial Services Ltd.	3	AA+	300	Bonds/NCD
7.	Indian Railway Finance Corp. Ltd.	15	AAA	1076	Bonds/NCD
8.	Karnataka State Financial Corp.	11	AA-(SO)	100	Bonds/NCD
9.	LIC Housing Finance Ltd.	10/3/2.92/2/1.16	AAA	1,772	Bonds/NCD
10.	Madhya Pradesh Financial Corp.	10	BBB+(SO)	50	Bonds/NCD
11.	Power Finance Corp. Ltd.	7,10	AAA	1363	Bonds/NCD
12.	Sundaram BNP Paribas Home Finance Ltd.	3	AA	44	Bonds/NCD
				40.7	Bonds/NCD
13.	Sundaram Finance Ltd.	10	AA+	10	Bonds/NCD
III.	Public Sector Company :				
1.	Alok Industries Ltd.	6	A+	200	Bonds/NCD
2.	E.I.D. - Parry (India) Ltd.	3	AA	40	Bonds/NCD
3.	Embassy Property Developments Ltd.	8	BBB	135	Bonds/NCD
4.	Indiabulls Real Estate Ltd	3	A+	100	Bonds/NCD
5.	Jaiprakash Associates Ltd.	4	A+	1,000	Bonds/NCD
6.	MRF Ltd.	3,4	AAA	200	Bonds/NCD
7.	Nomura Capital (India) Pvt. Ltd.		AAA	15	Bonds/NCD
8.	NovoX Trust - Locomotive	1.25	F1+	536.3	Bonds/NCD

9.	NTPC Ltd.	10	AAA	300	Bonds/NCD
10.	Patel Engineering Ltd.		AA	50	Bonds/NCD
11.	Rajasthan Rajya Vidyut Prasaran Nigam Ltd.	18	A(SO)	687	Bonds/NCD
12.	Reliance Capital Ltd.	5	AAA	9	Bonds/NCD
				14	Bonds/NCD
13.	Rural Electrification Corp. Ltd.	10	AAA	268.53	Bonds/NCD
14.	Talwalkars Better Value Fitness Ltd.	6	AA-	30	Bonds/NCD
15.	Talwandi Sabo Power Ltd.	13	AA+(SO)	750	Bonds/NCD
16.	Tata Capital Ltd.	5	AA+	44	Bonds/NCD
17.	Tata Sons Ltd.	5	AAA	385	Bonds/NCD
18.	Tata Steel Ltd.	20	AA+	2500	Bonds/NCD
19.	The Great Eastern Shipping Co. Ltd.	12/10	AAA	300	Bonds/NCD

(Sources: Credit Analysis & Research Ltd. April 2011)

Call Money Market

The weighted average call money rate on April 8, 2011 in respect of borrowings / lendings ranged between 6.31% as compared to the rates of 3.22% on April 9, 2010 (i.e. a year ago) reflecting that there was hardening of interest rates. The average daily turnover in the call money market was Rs. 11,992 crore for the week ending April 8, 2011 and this daily turnover increased to Rs.15,204 crore on April 15, 2011.

Foreign Exchange Market

The exchange rate (RBI reference rate) on April 15, 2011 was Rs.44.52 per US dollar as compared to Rs.44.20 per US dollar on April 11, 2011, 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 7.50% on April 15, 2011 as compared to a premium of 7.33% on April 11, 2011 (a week ago), which reflects that supply of dollars is likely to become relatively hard in the forthcoming weeks. The market rate (buying) was Rs.44.31 per US dollar on April 29, 2011. The foreign currency assets were US\$ 277.37 billion on April 15, 2011, and inclusive of gold and SDRs and the reserve position in the Fund, the foreign exchange reserves aggregated to US\$ 307.92 billion. From end-March 2010, the foreign exchange reserves registered an increase of US\$ 3.099 billion upto April 15, 2011.

Important Policy Pronouncements

Monetary Policy Statement 2011-12

Background: The Reserve Bank of India announced its customary perspective on the economy in general and the financial sector in particular for fiscal 2011-12 on 3rd May 2011, providing a glimpse of the emerging economic situation, how monetary variables are likely to behave, the direction of monetary policy and institutional changes that would have a long-term impact on the functioning of the banking / financial sector. While in 2010-11 the Reserve Bank had taken calibrated steps to combat inflation, it had, by and large, adopted an accommodative posture in order that growth was not asphyxiated in the midst of global uncertainties.

The Reserve Bank posited that the current policy statement was being made in circumstances that were considerably different to those in the preceding year. While last year the Indian economy was at the 'brink' of a strong recovery and emerging food inflation, in the current year the economy was beset with inflationary pressures that were more general, an inflation rate that had overshoot projections and an expected slowdown in the growth rate of the economy. However, three factors have shaped the perspective and monetary strategy for 2011-12 –

- The surge in global commodity prices, which was likely to persist / firm up during the year, presaging high inflation during the year.
- The 'overshooting' of inflation rate relative to projections, which could 'fuel' inflationary expectations.
- Likely moderation in demand, via the budget.

However, the Reserve Bank pointed out that while the budget projected a 'rollback', there were grey areas inasmuch as 'administered prices' with respect to petroleum / fertilizers had not been fully aligned to emerging global prices resulting in considerable subsidy, which could burgeon during the year if appropriate adjustments were not made.

Global / Domestic Economic Situation/Outlook: The Reserve Bank avers that while the momentum to global growth provided in late 2010 continued in the first two months of 2011 in terms of the global purchasing managers' index (PMI) / global services PMI there was moderation in these indices as well as in consumer confidence in March 2011.

The US economy slowed down in the first quarter of 2011 recording a growth rate of 1.8%, caused by decline in government spending, deceleration in private consumption, rising imports, continuing weakness in the housing market. Unemployment rates continued to remain high in advanced economies.

Sovereign debt concerns continue to dog the Euro Area economies. Together with inflation in the commodities market, in particular crude oil, stoked by supply infirmities, political developments in the Middle East / North Africa and superior growth in EMEs the inflation seemed to be on a firm footing. Inflation would lengthen the process of recovery in advanced economies faced with 'output gaps' and chasten growth rates in EME/developing economies, strapped by capacity constraints, as monetary policies become less accommodative.

The Reserve Bank concurs with the WEO assessment of a deceleration in global growth rates in the ensuing period.

The Indian economy logged a growth rate in GDP of 8.6% during 2010-11. While diverse indicators like the PMI, tax collections, corporate sale, credit off-take and export performance reflected that economic activity was strong, there were some indications that growth rate may recede somewhat. For instance, the index of industrial production had shown considerable deceleration in the latter half of the fiscal, Reserve Bank's OBICUS (Order Books, Inventories and Capacity Utilisation Survey) showed some decline in the growth rate of order books of companies in the last quarter of 2010 and the Reserve Bank's

IOS (Industrial Outlook Survey) showed a decline in business expectations index in the last quarter of fiscal 2010-11. Moreover, there has been slackening in capital goods output and investment during 2010-11.

Inflation, which commenced initially as driven by food / primary articles has transformed into generalised inflation as the year progressed and continues to remain a policy concern. The inflation during 2010-11 was not generated by money supply growth in Reserve Bank's assessment.

The Reserve Bank feels that both due to 'organic' factors like agricultural output dropping to the trend rate, the impending deceleration in industrial output and the firm monetary policy stance of controlling inflation (moderating it 6% by March 2012), India's GDP growth rate is likely to recede to 8% (range 7.4% to 8.5%) during 2011-12.

Monetary Policy Stance/Measures: The policy stance adopted for the fiscal year 2011-12 will be :

- To manage interest rates to moderate inflation and anchor inflationary expectations.
- To foster environment of price stability for sustaining medium-term growth with financial stability.
- To manage liquidity in 'balance'.

Based on the recommendations of the Working Group to Review the Operating Procedure of Monetary Policy in India, the Reserve Bank has instituted the following change in the operating procedures of monetary policy-

- The **weighted average overnight call money rate will be the operating target** of monetary policy of the Reserve Bank.
- There will henceforth be only **one independently varying policy rate and that will be the repo rate**. The transition to a single independently varying policy rate is expected to more accurately signal the monetary policy stance.
- The **reverse repo rate** will continue to be operative but it will be **pegged at a fixed 100 basis points below the repo rate**. Hence, it will no longer be an independent rate.
- A **new Marginal Standing Facility (MSF) will be instituted from which SCBs can borrow overnight up to one per cent of their respective NDTL**. The rate of interest on amount accessed from this facility will be **100 basis points above the repo rate**. A notification is being issued separately providing for a general waiver of default from SLR compliance, freeing banks from the obligation of seeking a specific waiver of default as is the case now. This facility is expected to contain volatility in the overnight inter-bank market.
- As per the above scheme, the **revised corridor will have a fixed width of 200 basis points**. The repo rate will be in the middle. The reverse repo rate will be 100 basis points below it and the MSF rate 100 basis points above it.
- While the width of the corridor is fixed at 200 basis points, the **Reserve Bank will have the flexibility to change the corridor**, should monetary conditions so warrant.

The **Repo Rate** has been **revised** upwards by 50 basis points to **7.25 per cent**. In line with the new procedure the **Reverse Repo Rate** is automatically set 100 basis points lower at 6.25 per cent, while the **MSF rate** automatically set 100 basis points higher at **8.25 percent**. Pending a policy decision on deregulation of **savings bank interest rate**, it has been **revised upwards from 3.5% to 4%**.

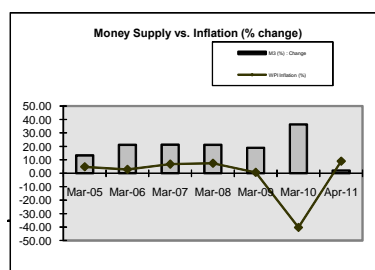
Bank Rate and CRR remain unchanged at 6%.

For the time being the Reserve Bank has only focused on ‘interest rate’ as an instrument of monetary control.

Diversification of Financial Markets: THE Reserve Bank has announced the following to diversify / deepen the financial market-

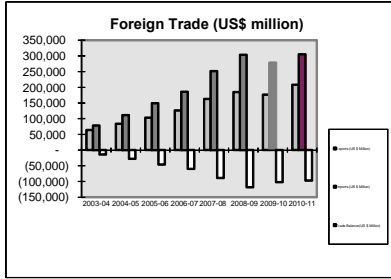
- Issue guidelines for plain vanilla single name **Credit Default Swaps (CDS)**
- Proposal to extend **period of Short Sale in Government Securities from 5 days to 3 months**.
- **Extension of DvP (Delivery versus Payment) facility to transactions by gilt account holders-** guidelines to be issued.
- Proposal to **allow FIIs to cancel and rebook up to 10 % of the market value of portfolio** at the commencement of the year.
- Proposal hedging facilities with authorised dealers for Non-resident entities having exposure in Rupees.

Other Measures: Apart from the above the Reserve Bank has listed out a number a areas where policies / rules are likely to be altered covering Credit Delivery and Financial Inclusion, Regulatory and Supervisory Measures for Commercial Banks as well as regulatory framework for Non-banking Finance Companies.



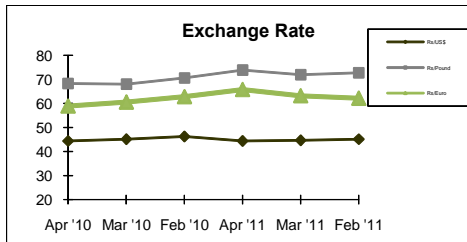
	Mar-05	Mar-06	Mar-07	Mar-08	Mar-09	Mar-10	Apr-11
M3 (Rs. Crore)	2,253,938	2,729,535	3,310,278	4,006,722	4,764,019	6,491,756	6,628,680
M3 (%) : Change	13.30	21.10	21.27	21.04	18.90	36.27	2.11
WPI (Index) All Commodities	189	196.6	210	225.7	227.3	135.8**	148.0***
WPI Inflation (%)	4.83	2.91	6.82	7.48	0.71	-40.30	9.00

Source: RBI Bulletin March 2009; WSS: April 22, 2011 \$S1993-94=100; year/month-end; * March 2009 ** March 2010 *** March 2011



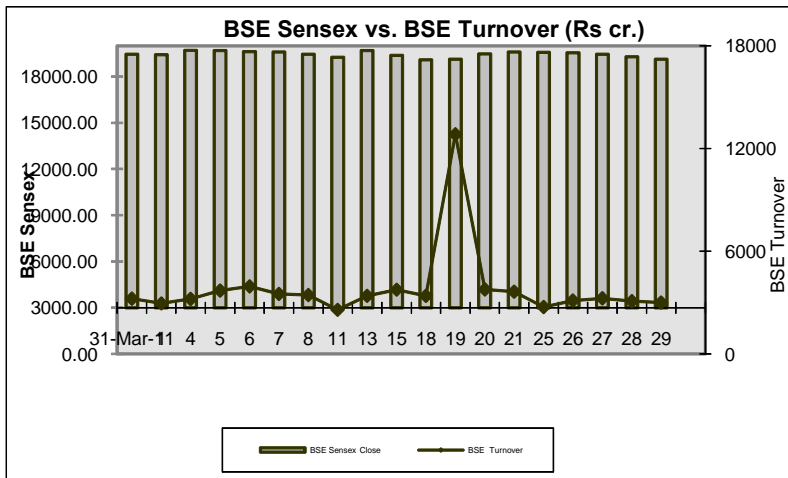
During the Year	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	Feb-11
Exports (US \$ Million)	63,843	83,536	103,091	126,361	163,132	185,295	176,574	208,229	23,597
Imports (US \$ Million)	78,149	111,517	149,166	185,749	251,654	303,696	278,681	305,299	31,701
Trade Balance (US \$ Million)	(14,306)	(27,981)	(46,075)	(59,388)	(88,522)	(118,401)	(102,106)	(97,069)	(8,104)

Source: Ministry of Commerce
 Revised figures for 2001-02 to 2007-08 (April-March)
 *DGC&S data for April 2008 to March 2009 (Provisional)



	2010-11			2011-12		
	Apr '10	Mar '10	Feb '10	Apr '11	Mar '11	Feb '11
Rs/US\$	44.44	45.14	46.23	44.38	44.65	45.18
Rs/Pound	68.31	68.03	70.66	73.88	71.92	72.78
Rs/Euro	58.94	60.56	62.81	65.83	63.24	62.15

Figures are for month-end



April 2011	BSE Sensex Close	BSE Turnover (Rs.crore)
31-Mar-11	19,445.22	3227
1	19,420.39	2964
4	19,701.73	3212
5	19,686.82	3699
6	19,612.20	3950
7	19,591.18	3510
8	19,451.45	3442
11	19,262.54	2588
13	19,696.86	3394
15	19,386.82	3760
18	19,091.17	3391
19	19,121.83	12832
20	19,470.98	3770
21	19,602.23	3637
25	19,584.31	2737
26	19,545.35	3114
27	19,448.69	3247
28	19,292.02	3087
29	19,135.96	3001



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 2010	Real Rate (Short-term) (1-3)	Currency unit per Euro 19.04.2011	Balance Latest :12 months		Col 11 as Percentage of GDP 2010
	3-month latest	10-year gov't bonds latest	Latest	A Year ago	As on 19.04.2011	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	1.34	3.28	2.7	1.60	0.70	0.74	-4.1	-1.36	1.00	-22.9	-64.6	-0.3
			Mar							Feb	Feb	
U. S. A.	0.19	3.35	2.7	2.30	1.00	1.00	-9.9	-2.51	1.43	-668.1	-470.2	-3.3
			Mar							Feb	Q4	
Britain	0.83	3.57	4.0	3.40	0.61	0.65	-9.0	-3.17	0.87	-150.8	-56.1	-1.5
			Mar							Feb	Q4	
Japan	0.16	1.24	nil	-1.10	82.50	93.20	-7.9	0.16	117.86	84.4	194.0	2.9
			Feb							Feb	Feb	
Sweden	2.43	3.24	2.90	1.20	6.24	7.15	-0.6	-0.47	8.91	11.7	29.1	6.4
			Mar							Feb	Q4	
Switzerland	0.19	1.98	1.0	1.40	0.90	1.07	-0.3	-0.81	1.29	20.0	82.9	10.6
			Mar							Feb	Q4	
India	7.19	8.34	8.8	14.80	44.50	44.50	-4.9	-1.61	63.57	-112.5	-51.6	-2.7
			Feb							Feb	Q4	

Source : The Economist London: April 23rd - 29th, 2011

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 2010	Real Rate (Short-term) (1-3)	Currency unit per Euro 19.04.2011	Balance Latest :12 months		Col 11 as Percentage of GDP 2010
	3-month latest	10-year gov't bonds latest	Latest	A Year ago	As on 19.04.2011	A Year ago				Trade Account (US\$ bn)	Current Account (US\$ bn)	
	1	2	3	4	5	6	7	8	9	10	11	12
China	4.29	3.94	5.4	2.4	6.53	6.83	-1.7	-1.11	9.33	169.3	331.1	4.1
			Mar							Mar	Q4	
Hongkong	0.26	2.48	3.7	2.8	7.78	7.76	2.7	-3.44	11.11	-42.0	14.8	9.7
			Feb							Feb	Q4	
Indonesia	8.98	4.79	6.7	3.4	8,680.00	9,016.00	-1.4	2.28	12,400.00	22.8	6.3	1.2
			Mar							Feb	Q4	
Malaysia	3.08	2.66	2.9	1.1	3.02	3.20	-5.5	0.18	4.31	34.0	28.0	9.9
			Feb							Feb	Q4	
Singapore	0.44	2.24	5.0	1.0	1.24	1.38	0.3	-4.56	1.77	45.4	49.5	17.2
			Feb							Mar	Q4	
South Korea	3.39	4.34	4.7	2.3	1,092.00	1,118.00	1.5	-1.31	1,560.00	46.6	30.5	2.7
			Mar							Mar	Feb	
Taiwan	1.24	1.40	1.4	1.3	29.10	31.40	-1.7	-0.16	41.57	9.9	40.6	8.0
			Mar							Mar	Q4	
Thailand	2.75	3.48	3.1	3.4	30.10	32.20	-3.1	-0.35	43.00	14.5	15.9	2.9
			Mar							Feb	Feb	
Brazil	11.67	6.16	6.3	5.2	1.58	1.75	-2.3	5.37	2.26	22.6	-49.2	-2.8
			Mar							Mar	Feb	
Venezuela	14.62	6.55	28.7	28.2	5.30	na	-5.9	-14.08	7.57	27.1	14.4	6.9
			Mar							Q4	Q4	
India	7.19	8.34	8.8	14.80	44.50	44.50	-4.9	-1.61	63.57	-112.5	-51.6	-2.7
			Feb							Feb	Q4	

Source : The Economist London: April 23rd - 29th, 2011

Figures in Column 9 are derived.

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