



Update on Indian Economy February 2010

Economic Snapshot

Contents	Item	Units	January	December	January	(% Change	
			2010	2009	2009	[1]/[2]	[1]/[3]
			[1]	[2]	[3]	[4]	[5]
-Editorial	WPI -Index*	1993-94=100	246.5	245.4	229	1.8	9.1
-Capital Market	WPI -Inflation**	Per cent	9.1	4.8	5.2		
-Sugar Industry		Week ended	(Dec 09)	(Nov 09)	(03.01.09)		
In India	IIP (93-94=100)	2 months lag	298.9	290.1	267.6	3.0	11.7
-Other Markets			(Nov 09)	(Oct 09)	(Nov 08)		
-Important Policy	INR / US\$	Month End	46.29	46.56	49.02	-0.6	-5.6
Pronouncements	M3	Rs. '000 Cr.	5279.68	5218.62	4491.95	1.2	17.5
	[i] Agg. Deposits	Rs. '000 Cr.	4531.26	4488.35	3869.95	1.0	17.1
	[ii] Currency	Rs. '000 Cr.	748.42	730.27	622	2.5	20.3
		(Outstanding as on)	(15.01.2010)	(04.12.09)	(02.01.09)		
	Call Money	% Range	1.00-3.40	1.50-3.40	2.50-5.58	-	-
	(Lendings)	Week ended	(15.01.2010)	(11.12.09)	(09.01.09)		

Source: RBI Weekly Statistical Supplement Jan 29, 2010 & Economic & Political Weekly Jan 30, 2010

*All Commodities. **Over the year.

Editorial

A) Domestic

A promising assessment of the global economy for the year 2010 has been provided in IMF's World Economic Outlook Update, with a projected growth rate of 3.9 %. Though this augurs well for strengthening the emerging uptrend in the Indian economy via improved demand for Indian Exports it would need to improve further in order that the growth rate attains a trajectory of 9 % by 2011.

Apart from the impact of strong measures providing stability to the weakened financial system, particularly in Advanced Economies, a major factor that has led to the global revival is the sustained fiscal stimulus provided by different countries across the world. Therefore, an embedded risk, apart from a number of others, for the future growth is as to how the 'stimulus' policy evolves globally. An excessive speed in withdrawing this policy from the viewpoint of restoring 'fiscal responsibility' may restrain the recent upsurge.

Though the Government of India has announced, primarily based on the steady uptrend in the Indian economy, its intention to gradually reduce the fiscal stimulus, it would have to bear in mind the evolving global policy trends. Therefore, the budget may not provide an accurate picture of the fiscal policy course the government might follow in the year 2010-11. Our assessment is that the government, subject to its ability to restrict inflation to reasonable levels in the ambience of the global uptrend in commodity prices, would follow a policy course that accelerates the growth rate well above the 7.5 % likely to be logged in 2009-10.

B) International

The World Economic Forum meeting was held between January 27-31, 2010 in Switzerland, and the major highlights were:

- The participant found that the global recovery is fragile, and now is the moment to rethink values as the world rebuilds prosperity
- All countries in the G20 and beyond should find new pathways to sustainable growth and job creation
- Concretely, Bill and Melinda Gates, Co-Chairs of the Bill and Melinda Gates Foundation, which is a founding partner of the Global Alliance for Vaccines and Immunization (GAVI) Alliance, pledged US\$ 10 billion to vaccinate over 8 million children in the next decade
- Former US President William J. Clinton announced a joint initiative between the World Economic Forum, the Clinton Global Initiative and the UN to support Haiti's long-term reconstruction
- The World leader including Canadian Prime Minister Stephen Harper, and French President Nicolas Sarkozy all set forth agendas for global engagement to prevent future crises and to promote sustainability and principled growth.
- Since its launch 10 years ago, the GAVI has saved over 4 million lives and has immunized an additional 256 million children in the world's poorest countries

At the conclusion of this 40th World Economic Forum Annual Meeting, participants pledged **to rethink, rebuild and redesign the global economy based on sustainable principles**. The sense of the Meeting, echoed by Lawrence H. Summers, Director of the US National Economic Council (NEC), was that the world was experiencing “a statistical recovery and a human recession.”

Job creation is critical to sustainable recovery. There is a role for all to play in job creation, underscored Patricia A. Woertz, Chairman, President and Chief Executive Officer of Archer Daniels Midland (ADM), and Co-Chair of the World Economic Forum Annual Meeting 2010. **“And retaining jobs is as important as creating new ones.”** The recession also demonstrated that the world must hear better the voices outside of the G-8.

“The self-confidence of emerging nations is completely different,” said Azim H. Premji, Chairman of Wipro, and Co-Chair of the World Economic Forum Annual Meeting 2010. He warned that in India and China “if services are put under severe, unreasonable restrictions, you will get tariffs overnight.”

Capital Market Review

The month of January 2010, started with mixed sentiments on the Dalal Street as members and investors had to adjust to the new timing set by the SEBI. Markets started an hour early to match the trading timing of Singapore stock exchange. The decision made by SEBI and Exchanges to start an hour early was not welcomed warmly by the members and the investors. However, the extended trading hour did not result in the greater volumes on the bourses. BSE Sensex journey started from the close of 17,558.73 on January 4, 2010 to reach 52 weeks high of 17,701.13 on January 6, 2010. It remained

range bound in the subsequent trading sessions. IT and Auto stocks have been the major gainers since October.

BSE Sensex fell to the lowest since last two months on January 21, 2010. BSE Sensex shed 423 points to close at 17,051 on that day. The decline was attributed to the lower-than-expected quarterly corporate profit as well as weak global cues. Larsen and Toubro, that ranks fourth by weightage in the Sensex fell as the company announced result that was not satisfactory. Another stock that triggered Sensex down was ICICI that registered lackluster quarterly results. On a global front, China's attempt to control credit raised fear that the RBI might also take measures to suck out liquidity from the Indian Markets. The US President Barack Obama proposed to set limits on banks and impose restrictions on risky trading like proprietary trading (using their own money in investments). His statement negatively surprised the markets leading to sell off in the global markets.

Dalal Street continued to witness downtrend. Profit booking was noticed and finally BSE Sensex ended at 16,357.96, which was 6.34% lower over the previous month.

	January	December	January	December	(% Change		
	2010	2009	2009	2008	[1]/[2]	[1]/[3]	[2]/[4]
Major Indices	[1]	[2]	[3]	[4]	[5]	[6]	[7]
BSE Sensex – Close	16357.96 (19.01.2010)	17464.81 (31.12.09)	9424.24 (30.01.09)	9647.31 (31.12.08)	-6.34	73.57	81.03
Monthly High	17701.13 (6.01.2010)	17464.81 (31.12.09)	10,335.93 (06.01.09)	10099.91 (19.12.08)	1.35	71.26	72.92
Monthly Low	16289.82 (27.01.2010)	16601.20 (24.12.09)	8674.35 (23.01.09)	8739.24 (02.12.08)	-1.88	87.79	89.96
S&P CNX Nifty –Close	4882.05	5201.05	2874.8	2959.15	-6.13	69.82	75.76
P/E Ratio : BSE – 30	20.3	22.36	12.8	12.3	-9.21	58.59	81.79
FII Investments (Equity+ Debt)							
Inflows – Rs. Cr.	78811.6	57393.5	35778.3	40310.7	37.32	120.28	42.38
Outflows – Rs. Cr.	70398.9	48682.6	39220.8	37933.5	44.61	79.49	28.34
Net – Rs. Cr.	8412.7	8710.9	-3443	2376.6	-3.42	-344.34	266.53
Cum. Net Inv–US\$ Mn. (Month End)	81921.7	80072.71	58883.9	59737.3	2.31	39.12	34.04

The cumulative investment by FIIs stood at US\$ 81.93 billion in January 2010, and this reflected a rise of US\$ 1.85 billion over the previous month.

Sugar Industry in India

I. Introduction

The sugar industry is the second largest agro-based industry next to textiles in India. In India, sugarcane is the key raw material for the production of sugar. Sugar is extracted from two different raw materials – sugarcane and beet; both produces identical refined sugar. Sugarcane is grown in semi-tropical region and accounts for around two-third of world sugar production. Beet is grown in temperate climate and accounts for the balance one third of world production. Sugar consumption is highest in India. However, in terms of production, India is second after Brazil, the largest sugar producer in the world.

II. Production

Sugarcane is one of the important cash crops. Most of the sugarcane produced in India is a 10-12 month crop planted during January to March. In northern Maharashtra and parts of Andhra Pradesh and Karnataka, there is also an 18 to 20 month crop. Sugarcane is being cultivated throughout the country except in certain hilly tracts in Kashmir, Himachal Pradesh and North Eastern States of India.

All-India Area, Yield and Production of Sugarcane and Distribution of Sugarcane in production of Sugar, Khandsari, Gur and Seeds

Year	Area (million hectare)	Yield (tonnes/hectare)	Production (million tonnes)	Sugar (million tonnes)	Khandsari (million tonnes)	Gur (million tonnes)	Seeds (million tonnes)
1985-86	2.86	59.99	171.68	68.98	10.5	71.62	20.60
1990-91	3.69	65.39	241.05	122.32	13.2	76.63	28.93
1995-96	4.15	68.02	282.09	174.76	10.0	67.27	30.06
2000-01	4.32	68.58	295.60	176.65	11.0	72.48	35.47
2001-02	4.41	67.37	297.21	180.32	10.5	70.73	35.67
2002-03	4.52	63.58	287.38	194.33	9.5	49.07	34.49
2003-04	3.93	59.38	233.86	132.51	10.0	61.35	30.00
2004-05	3.66	64.75	237.08	124.77	9.5	74.37	28.45
2005-06	4.20	66.93	281.17	188.67	8.5	49.00	35.00
2006-07	5.15	69.03	355.52	279.30	7.5	32.73	36.00
2007-08	5.04	69.04	348.19	249.91	7.0	59.28	32.00
2008-09	4.38	61.94	271.25	146.00	6.5	85.75	33.00

Sources: Ministry of Agriculture, USDA

Sugarcane and sugar production in India typically follows cyclical pattern. Generally 3 to 4 years of rise in production followed by 2 to 3 years of decline. In 1995-96, more than 4 million hectares of land was under sugarcane cultivation with an average yield of 68.02 tonnes per hectare and production of 282.09 million tonnes of sugarcane. The land under sugarcane cultivation rose to 5.15 million hectare in 2006-07 with an average yield of 69.03 tonnes per hectare. After that land under sugarcane cultivation dropped to 4.38 million hectare in 2008-09, as a consequence the yield and sugarcane production declined to 61.94 tonnes per hectare and 271.25 million tonnes respectively.

III. Sugarcane Utilization

The sugarcane produced in the country is utilized for producing white sugar, traditional sweeteners like Gur and Khandsari and seed, feed and direct consumption (chewing / juice). Nearly 55% of the sugarcane produced is utilized in producing white sugar, 33% in producing Gur and Khandsari and remaining 12% are utilized in seed, feed and direct consumption. Molasses is a major byproduct of sugar industry, which is further used in ethanol production.

IV. Sugar Industry set up

India is the only country in the world where the organized manufacturing sector uses sugarcane for producing refined white sugar. All other countries are producing either raw sugar or refined sugar or both. Thus the processing capacities are quite different and so also is the quality of sugar.

Sugar industry in India is well developed with a consumer base of more than a billion people. There are around 45 million sugar cane growers in India and a larger portion of rural laborers in the country rely upon this industry.

The Indian sugar industry uses sugarcane in the production of sugar and hence maximum number of companies is found in the sugarcane growing states of India like Uttar Pradesh, Maharashtra, Gujarat, Tamil Nadu, Karnataka, and Andhra Pradesh.

There were 501 sugar factories operational in India as of 2006-07. The Indian sugar industry is marked by co-existence of different ownership and management structures since the beginning of the 20th century. At one extreme, there are privately owned sugar mills in UP that procure sugarcane from nearby cane growers. At the other extreme there are cooperative factories owned and managed jointly by farmers, especially in the western states of Gujarat and Maharashtra. There are also a number of factories that are state owned / promoted. Bajaj Hindustan, Balarampur Chini, KK Birla group of sugar companies, Dhampur Sugar, Shri Renuka Sugars, and Simbhaoli Sugars are top sugar producing private companies in India.

V. Major issues related to Sugar Industry in India

1. Sugar cane pricing

Sugarcane is the main raw material for sugar industry and accounts for about 70% of the total cost of production of sugar. It is also the major source of income for millions of farmers. The determination of price for sugarcane is therefore, a matter of critical importance both for the sugar industry and the sugarcane growers. The central government fixes a statutory minimum price in terms of clause 3 of the sugarcane (control) order, 1966 in respect of each sugar season by considering the following

- Cost of production of sugarcane
- Return to the growers from alternative crops and the general trend of prices of agricultural commodities
- Availability of sugar to consumers at a fair price
- Sugar producers selling price at which sugar produced from sugarcane
- Recovery of sugar from sugarcane

Government of India regulates & controls the rates of sugarcane supplied to the mills by farmers. The Statutory Minimum Price (SMP) announced by government of India every year is used as a benchmark by the state governments to fix their State Advised Price (SAP). The pricing procedure has been adopted so as to protect the farmers & ensure them a good price for sugarcane. However, this mechanism of sugarcane pricing has not always protected the farmer's interest. At the same time, the economics of manufacturing units has on occasion been adversely affected depending on their location. Over the last

few years state governments have been using SAP as a tool for getting the vote bank of farmers by fixing higher prices, causing severe damage to the economics of the sugar industry.

2. Regulation

Sugar industry is one of the few industries that still remain under government control. Due to the politically sensitive nature of the industry, the government still continues to regulate sugar release, sugarcane procurement area and pricing of sugar cane. The centre also regulates the release mechanism for sugar. Release can be classified as free sale sugar and levy sugar. Free sale sugar refers to the quantity that mills are permitted to sell in the open market. Levy sugar refers to the quantum of sugar that mills have to give to the government for sale through the public distribution system.

3. Fluctuations in supply of sugarcane

The Indian sugar industry follows a cyclical pattern. Shortage of sugar leads to an increase in prices. Mills pay higher prices for cane which tempts the farmers to switch to sugarcane. This result in a glut in both sugarcane and sugar and this depresses sugar prices. Sugarcane payments to farmers get reduced and delayed as inventory builds up, farmers switch to other cash crops which leads to a fall in sugarcane production and sugar production. The consequent shortage of sugar results in an increase in sugar prices.

VI. Causes of recent Sugar price rise in India

a) Global Trend

World sugar prices have reached their highest in nearly 30 years, as sugarcane output in India fell significantly and stagnation in other major countries in 2008-09. The world sugar economy is currently facing a second consecutive year of a significant gap between world consumption and production. The world sugar balance for October 2009 to September 2010 puts world production at 159.887 million tonnes (raw value) up by 6.911 million tonnes or 4.5% from the last season. Global consumption of sugar is expected to reach 167.134 million tonnes. Therefore, the growth in global production is far too small to cover sugar consumption and the world statistical deficit is expected to reach 7.25 million tonnes. This points to continuing upward pressure on sugar prices in 2010.

India is the second biggest supplier of sugar after Brazil. Sugarcane production in India has fallen, as farmers over the years shifted to better-paying food crops. Production in the year 2008-09 has dropped 41.6% to 14.6 million tonnes. About 36% of global sugar production comes from Asia. India the biggest consumer of sugar, will have to import millions of tons this year to satisfy its annual consumption of 22.5 million tonnes.

b) Declining cropped area

The total land area under sugarcane cultivation in India has come down significantly in some high sugarcane producing states in India. The cyclical pattern of sugarcane production and government control on sugar prices and distribution created surplus demand for sugar without adequate supply. Since supply was short and mills could not recover their cost of production, farmer's payments were delayed. Hence there was no incentive for farmers to cultivate sugarcane in the next season.

c) Impact of climate change on sugarcane productivity

The impact of global warming on climate reflected in abnormal pattern of rains and non-availability of ground water had negative impact on productivity.

d) Cost of Cultivation

Also the cost of cultivation and high labor cost is forcing sugarcane farmers, who have been cultivating sugarcane for past 20 to 30 years, to either move out to other crops or sell their land.

e) Decline in sugar stocks

Sugar production has been declining and consumption has been constant.

**Sugar Production, distribution and Ending stock in India
(in million tonnes)**

Mktg Year (Oct to Sept)	2007-08	2008-09	2009-10*
Beginning Stocks	9.85	9.15	3.69
Total Sugar Production	28.63	16.13	17.3
Total Imports	0	2.8	6.0
Total Supply	38.48	28.1	26.99
Total Exports	5.83	0.19	0.01
Total Use	23.5	24.2	23.5
Ending Stocks	9.15	3.69	3.48

*Source: USDA, *2009-10 are Advanced Estimates*

Since the sugar supply is limited, India has turned into a net importer of sugar to meet the existing demand. The ending stock levels in 2008-09 fell 60% to the critical level of 3.69 million tonnes. Also, the stock levels are expected to remain low to 3.48 million tonnes in the marketing year 2009-10. Thus the decline in stock levels will add pressure to the sugar prices till the production of sugar reaches to comfortable level to meet up with consumption. Therefore, lack of timely imports and their release into the markets have aggravated the price situation in India.

Other Markets

Debt Market

The month of December saw significant activity in the primary issuance market. ONGC Videsh Ltd was the biggest issuer with an issue size of Rs.1, 970 crore, followed by ICICI Bank Ltd with an issue size of Rs.1, 320 crore.

Name of the Issuer	Duration	Rating	Amount (Rs. Crore)	Type of Instrument
I.Banks				
ICICI Bank Ltd	10 yrs	AAA	1,320	Bonds/NCD
Allahabad Bank	15 yrs	AA+(Stable)	500	Bonds/NCD
Allahabad Bank	NA	AA+(Stable)	150	Bonds/NCD
Andhra Bank	10 yrs	AAA	320	Bonds/NCD
Andhra Bank	15 yrs	AA+	280	Bonds/NCD
Oriental Bank of Commerce	NA	AA+	300	Bonds/NCD
IDBI Bank Ltd.	NA	AA(Stable)	275	Bonds/NCD
National Housing Bank	3 yrs	AAA	150	Bonds/NCD
II. Financial Institutions				
Power Finance Corporation Ltd	15 yrs	AAA	1051	Bonds/NCD
Housing development Finance Corp Ltd.	5 yrs	AAA	500	Bonds/NCD
Infrastructure Development Finance Corp	10 yrs	AAA	300	Bonds/NCD
Andhra Pradesh State Finance Corp	10 yrs	A(SO)	121	Bonds/NCD
Karnataka State Finance Corp	10 yrs	AA-(SO)	100	Bonds/NCD
Tata Capital Ltd	2 and 3 yrs	AA+	50	Bonds/NCD
Tata Capital Ltd	NA	AA+	50	Bonds/NCD
III. Non-Financial Institutions				
ONGC Videsh Ltd	5 yrs	AAA(Stable)	1970	Bonds/NCD
Hindustan Petroleum Corporation Ltd	3 yrs	AAA (Negative)	1000	Bonds/NCD
GVK Airports Developers Pvt Ltd	NA	AA-(SO)	685	Bonds/NCD
Steel Authority of India	10 yrs	AAA	450	Bonds/NCD
Cadila Healthcare	5 yrs	AA+ (Stable)	100	Bonds/NCD
HEG Ltd.	2 and 3 yrs	AA-	100	Bonds/NCD

(Sources: Credit Analysis & Research Ltd., January, 2010)

Call Money Market

The call money rate on January 15, 2010 in respect of borrowings ranged between 1.00% and 3.40% as compared to the rates of 2.00% - 4.50% on January 12, 2009 (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.6,186 crore for the week ending January 15, 2010 and this rose to Rs 7,520 crore on January 22, 2010.

Foreign Exchange Market

The exchange rate (RBI reference rate) on January 22, 2010 was Rs.46.17 per US dollar as compared to Rs.45.66 per US dollar on January 18, 2010, 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 2.28% on January 22, 2010 as compared to a premium of 3.02% on January 18, 2010 (a week ago), which reflects that supply of dollars is likely to become relatively easy in the forthcoming weeks. The foreign currency assets were US\$ 258.08 billion on January 22, 2010, and inclusive of gold and SDRs and the reserve position in the Fund, the foreign exchange reserves aggregated to US\$ 282.94 billion. From end-March 2009, the foreign exchange reserves registered an increase of US\$ 30.95 billion upto January 22, 2010. The market rate (buying) was Rs.46.29 per US dollar on January 31, 2010.

Important Policy Pronouncements

[A]. Review of Monetary Policy 2009-10 by RBI: Third Quarter

Dr. D Subbarao, Governor, Reserve Bank of India announced Third Quarter Review of Monetary Policy 2009-10 on January 29, 2010. Highlights of the Policy are:

I. Outlook

During 2009-10, real GDP growth accelerated from 6.1 per cent in Q1 to 7.9 per cent in Q2 driven by revival in industrial growth, and pick-up in services sector growth aided by payment of arrears arising out of the Sixth Pay Commission Award.

Assuming a near zero growth in agricultural production and continued recovery in industrial production and services sector activity, the baseline projection for GDP growth for 2009-10 is now raised to 7.5 per cent.

II. Inflation

Headline wholesale price index (WPI) inflation was 1.2 per cent in March 2009. It continued to decline and became negative during June-August 2009 due to the large statistical base effect. It turned positive in September 2009, accelerated to 4.8 per cent in November 2009 and further to 7.3 per cent in December 2009. On a financial year basis, between April-December 2009, WPI moved up by 8 per cent.

Going forward, the rabi crop prospects are assessed to be better. The large stock of foodgrains with public agencies should help supply management. On the other hand, there is a risk that inflationary pressures may emanate from the rebound in global commodity prices

III. Policy Stance

The stance of monetary policy of the Reserve Bank for the remaining period of 2009-10 will be as follows:

- Anchor inflation expectations and keep a vigil on the trends in inflation and be prepared to respond swiftly and effectively through policy adjustments as warranted.

- Actively manage liquidity to ensure that credit demands of productive sectors are adequately met consistent with price stability.
- Maintain an interest rate environment consistent with price stability and financial stability, and in support of the growth process.

IV. Monetary Measures

On the basis of the current assessment and in line with the policy stance as outlined in Section III, the Reserve Bank announces the following policy measures:

- Bank Rate:** The Bank Rate has been retained at 6.0 per cent.
- Repo Rate:** The repo rate under the Liquidity Adjustment Facility (LAF) has been retained at 4.75 per cent.
- Reverse Repo Rate:** The reverse repo rate under the LAF has been retained at 3.25 per cent.
- Cash Reserve Ratio:** It has been decided to increase the cash reserve ratio (CRR) of scheduled banks by 75 basis points from 5.0 per cent to 5.75 per cent of their net demand and time liabilities (NDTL) in two stages; the first stage of increase of 50 basis points will be effective the fortnight beginning February 13, 2010, followed by the next stage of increase of 25 basis points effective the fortnight beginning February 27, 2010.

As a result of the increase in the CRR, about Rs. 36,000 crore of excess liquidity will be absorbed from the system.

V. Expected Outcomes

The expected outcomes of the actions are:

- Reduction in excess liquidity will help anchor inflationary expectations.
- The recovery process will be supported without compromising price stability.
- The calibrated exit will align policy instruments with the current and evolving state of the economy.

VI. The Monetary Policy for 2010-11 will be announced on April 20, 2010

[B] Priority Sector Lending-Loans to HFCs:

- It has been brought to the notice of the Reserve Bank that certain scheduled commercial banks are extending short-term loans of tenure ranging from six months to one year to housing finance companies (HFCs) and classifying these as priority sector advances. Since housing loans are generally medium to long-term loans taken by individuals, short-term loans with tenor of six months to one year granted by banks to HFCs for on-lending purposes would not be co-terminus with the loans taken by individuals.
- Consequently, banks have been advised to link the tenor of loans granted by them to HFCs in line with the average portfolio maturity of housing loans up to Rs 20 lakhs granted by the HFCs to individual borrowers. Banks have also been advised that if the tenor of such loans granted by them the HFCs is not co-terminus with the on-lending by HFCs, they would not be eligible for classification under

priority sectors. Banks should also ensure that the end use of the funds is strictly as per the guidelines on lending to priority sector.

[C] ECB Policy modified:

On a review of the prevailing macroeconomic conditions and developments in the international financial markets, some aspects of the external commercial borrowings (ECB) policy have been modified as below:

All-in-cost Ceilings

As per the extant policy, the all-in-cost ceilings were dispensed with, under the approval route, until December 31, 2009. In view of the improvement in the credit market conditions and narrowing credit spreads in the international markets, the existing relaxation in the all-in-cost ceilings, under the approval route, is withdrawn from January 1, 2010. Accordingly, the all-in-cost ceilings under the approval route for ECBs, where loan agreements have been signed on or after January 1, 2010 will be:

Average Maturity Period	All-in-cost Ceilings over Six Months Libor*
Three years and up to five years	300 basis points
More than five years	500 basis points

*for the respective currency of borrowing or applicable benchmark

Eligible borrowers proposing to avail of ECB after December 31, 2009, where the loan agreement has been signed on or before December 31, 2009 and where the all-in-cost exceed the above ceilings, should furnish a copy of the loan agreement. Such proposals would continue to be considered under the approval route.

[D] NBFC Sector:

Non-banking finance companies (NBFCs) exclusively involved in financing infrastructure projects, can now avail of ECB from the recognized lender category, including international banks, under the approval route, provided they comply with the prudential standards prescribed by the Reserve Bank and the borrowing entities fully hedge their currency risk. The AD Category-I bank should certify that the borrowing NBFC has complied with the prudential norms.

As per the earlier ECB norms, NBFCs which are exclusively involved in financing of the infrastructure sector could avail of ECBs from multilateral/regional financial institutions and government owned development financial institutions for on-lending to borrowers in the infrastructure sector under the approval route.

Source for [B], [C], & [D]: RBI Monetary and Credit Information Review, January 2010.

	Mar-04	Mar-05	Mar-06	Mar-07	Mar-08	Mar-09	Jan-10
M3 (Rs. Crore)	2,003,102	2,253,938	2,729,535	3,310,278	4,006,722	4,764,019	5,279,684
M3 (%) : Change	15.95	13.30	21.10	21.27	21.04	18.90	10.82
WPI (Index) All C	180.30	189	196.6	210	225.7*	227.3**	249.8***
WPI Inflation (%)	4.29	4.83	2.91	6.82	7.47	0.01	0.10

Source: RBI Bulletin March 2009; W \$\$1993-94=100; year/month-end * March 31, 2001 ** March 07, 2008 *** January, 2010



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 2009	Real Rate (Short-term) (1-3)	Currency unit per Euro 03.02.2010	Balance Latest :12 months		Col 11 as Percentage of GDP 2009
	3-month latest	10-year gov't bonds latest	Latest	A Year ago	As on 03.02.2010	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	0.67	3.2	1	1.10	0.72	0.78	-6.3	-0.33	1.00	25.3	-96.4	-0.7
			Jan							Nov	Nov	
U. S. A.	0.07	3.70	2.7	0.10	0.00	0.00	-9.9	-2.63	0.00	-518.4	-465.3	-3.0
			Dec							Nov	Q3	
Britain	0.66	4	2.9	3.10	0.63	0.69	-14.2	-2.24	0.88	-126	-28.2	1.6
			Dec							Nov	Q3	
Japan	0.31	1.35	-1.7	0.40	91.00	89.70	-7.4	2.01	126.39	34.4	133.4	2.8
			Dec							Nov	Nov	
Sweden	0.16	3.30	0.90	0.90	7.26	8.28	-2.5	-0.74	10.08	11.9	33	7.5
			Dec							Dec	Q3	
Switzerland	0.25	1.85	0.3	0.70	1.06	1.16	-0.4	-0.05	1.47	18.7	42.4	7.7
			Dec							Dec	Q3	
India	3.92	7.78	15.1	9.60	46.00	48.80	-8	-11.18	63.89	-78.4	-31.5	-0.7
			Dec							Dec	Q3	

Source : The Economist London: February 6th, 2010

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 2009	Real Rate (Short-term) (1-3)	Currency unit per Euro 15.07.09	Balance Latest :12 months		Col 11 as Percentage of GDP 2009
	3-month latest	10-year gov't bonds latest	Latest	A Year ago	As on 02.12.2009	A Year ago				Trade Account (US\$ bn)	Current Account (US\$ bn)	
	1	2	3	4	5	6	7	8	9	10	11	12
China	1.91	3.58	1.9	1.2	6.83	6.83	-3.8	0.01	9.49	196.1	364.4	6.3
			Dec							Dec	Q2	
Hongkong	0.13	2.66	1.3	2.1	7.77	7.75	-2.4	-1.17	10.79	-28.9	26.2	13.7
			Dec							Dec	Q3	
Indonesia	7.05	5.71	3.7	9.2	9293.00	11675.00	-1.4	3.35	12906.94	19.8	6.9	1.6
			Jan							Dec	Q3	
Malaysia	2.19	1.57	1.1	4.4	3.40	3.63	-7.7	1.09	4.72	33.3	32.3	15.5
			Dec							Dec	Q3	
Singapore	0.50	2.46	0	4.3	1.41	1.51	-1.1	0.5	1.96	24.1	20.9	12.5
			Dec							Dec	Q3	
South Korea	2.88	5.25	3.1	3.7	1149.00	1379.00	-4	-0.22	1595.83	43.7	42.7	5.2
			Jan							Jan	Dec	
Taiwan	0.86	1.23	-0.2	1.3	32.00	33.70	-5.1	1.06	44.44	20.1	38.6	7.6
			Dec							Dec	Q3	
Thailand	1.35	3.26	4.1	-0.4	33.00	34.90	-5.6	-2.75	17.80	19.4	20.4	6.6
			Jan							Dec	Dec	
Brazil	8.65	6.16	4.3	5.9	1.85	2.28	-3.2	4.35	2.00	25.7	-24.3	-1.0
			Dec							Jan	Dec	
Venezuela	14.50	6.55	26.9	31.9	6.15	5.45	-8.1	-12.4	8.54	6.7	-2.1	2.7
			Dec							Q3	Q3	
India	3.92	7.78	15.1	9.60	46.00	48.80	-8	-11.18	63.89	-78.4	-31.5	-0.7
			Dec							Dec	Q3	

Source : The Economist London: February 6th, 2010

Figures in Column 9 are derived.

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February 14th 2010