

Update on Indian Economy

May 2007

Economic Snapshot

Contents	Item	Units	April	March	April	(%) Change	
			2007	2007	2006	[1] / [2]	[1]/[3]
			[1]	[2]	[3]	[4]	[5]
			(Feb 07)	(Jan 07)	(Feb 06)		
- Editorial	WPI -Index*	1993-94=100	210.8	209.3	198.7	0.72	6.1
- Capital Market	WPI -Inflation**	Per cent	6.1	6.5	3.2		
- Country - France		Week ended	07.04.06	10.03.07	08.04.06		
- Other Markets	IIP (93-94=100)	2 months lag	252.4	263.9	227.3	(4.36)	11.04
- Important Policy Pronouncements							
	INR / US\$	Month End	41.29	43.59	44.97	(5.28)	(8.18)
	M3	Rs. '000 Cr.	3321.49	3206.30	2747.92	3.59	20.87
	[i] Agg. Deposits	Rs. '000 Cr.	2822.03	2715.25	2320.88	3.93	21.59
	[ii] Currency	Rs. '000 Cr.	499.46	491.05	427.04	1.71	16.96
		(Outstanding as on)	(13.04.07)	(16.03.07)	(14.4.06)		
	Call Money	% Range	1.50-7.50	3.30-11.00	4.00-5.90	-	-
	(Lendings)	Week ended	13.04.07	16.03.07	14.4.06		

Source: RBI Weekly Statistical Supplement April 27, 2007 & Economic & Political Weekly April 20, 2007
*All Commodities. **Over the year.

Editorial

Domestic

The Industrial Production during major part of 2006-07 has remained strong, and the latest available data for the first eleven months (April-February) of 2006-07, indicate that overall growth 11.1% as compared to 8.1% in the corresponding period of 2005-06. Exports during the first eleven months (April-February) of 2006-07 recorded US\$ 109.13 billion which represented a growth of 19.3% over the exports in preceding year. Similarly imports during the first eleven months (April-February) of 2006-07, amounted to US\$ 164.99 billion which recorded a growth of 27.8% over the corresponding period of 2005-06.

Capital Market Review

During the month of April 2007, the market remained range bound. The Sensex (30-share index) of BSE which closed at 13072.10 on March 30, 2007 rose to 13872.37 on April 30, 2007, the last trading days of the month, registering a growth of 800.27 or 6.12%. The major policy changes announced both by the Reserve Bank and the market regulator, the Securities and Exchange Board of India (SEBI). India will have a GDP of \$ 1 trillion with saving and investment rates in excess of 30 per cent during 2007-08.

- The Securities and Exchange Board of India (SEBI) has turned to its US counterpart - the Securities and Exchange Commission (SEC) for some advice to regulate the intermediaries called investment advisors who tender investment advice to clients.
- The SEBI strongly feels that investment advisors need to be regulated in the overall interests of the investors and markets.

- The National Stock Exchange (NSE) is chalking out a strategy to launch a separate trading platform for small and medium companies (SMEs). The move is expected to cut into the business of rival Bombay Stock Exchange (BSE).

	April	March	April	March	(% Change)		
	2007	2007	2006	2006	[1] / [2]	[1] / [3]	[2] / [4]
Major Indices	[1]	[2]	[3]	[4]	[5]	[6]	[7]
BSE Sensex – Close	13872.37 (30.04.07)	13072.1 (30.03.07)	11,851.93 (29.04.06)	11,279.96 (31.03.06)	6.12	17.05	15.89
Monthly High	14228.88 (26.04.07)	13308.03 (22.03.07)	12,042.56 (29.04.06)	11,307.04 (30.03.06)	6.92	18.15	17.70
Monthly Low	12455.37 (02.04.07)	12415.04 (05.03.07)	11,237.23 (13.04.06)	10,508.85 (08.03.06)	0.32	10.84	18.14
S&P CNX Nifty –Close	4087.90	3821.55	3508.35	3402.55	6.97	16.52	12.31
P/E Ratio : BSE – 30	20.71	20.33	21.02	20.92	1.87	(1.47)	(2.82)
FII Investments (Equity+ Debt)							
Inflows – Rs. Cr.	50633.3	54042.8	43236	53162.4	(6.31)	17.11	1.66
Outflows – Rs. Cr.	42911.8	53681.9	42414	46731.9	(20.06)	1.17	14.87
Net – Rs. Cr.	7721.5	360.6	821.8	6430.4	2041.29	839.58	(94.39)
Cum. Net Inv–US\$ Mn. (Month End)	53717.7	51965.7	45443.9	44956.3	3.37	18.21	15.59

source: www.mega-ace.com

Foreign Exchange Market

The exchange rate (RBI reference rate) on April 20, 2007 was Rs.41.99 per US dollar as compared to Rs.42.30 per US dollar on April 16, 2007, that is, a week ago; this reflected appreciation of the rupee vis-a-vis US dollar. Further, the six month forward premia was 6.43% on April 20, 2007 as compared to a premium of 6.45% on April 16, 2007 (a week ago), and this reflects that supply of dollars is likely to become relatively tight in the forthcoming weeks. The foreign currency asset were US \$ 196.63 billion on April 20, 2007, and inclusive of gold and SDRs and the reserve position in the Fund, the foreign exchange reserves aggregated to US\$ 203.88 billion. From end-March 2006, the foreign exchange reserves registered a rise of US\$ 4.70 billion. The market rate (buying) was Rs.41.29 per US dollar on April 30, 2007.

Important Policy Pronouncements

The Annual Foreign Trade Policy for 2007-08 announced on April 20, 2007 by Mr.Kamal Nath Minister for Trade & Commerce set the ambitious export target of US\$ 160 billion for the next year that is 2007-08 which is higher than export target of US\$125 billion fixed for 2006-07. This is a jump of 28% over the exports target of US\$ 125 billion in 2006-07, and is based on the assumption that the Special Economic Zones (SEZs) being set up in the country would help to reach the target. To encourage exports, the Government has also removed service tax on exports in view of the continued rupee appreciation which will impact on the Indian exporters and as a part of the mitigation exporters are exempted from payment of 12% service tax.

The main focus of the Annual Monetary Policy, is to reign in price inflation.Governor symbolically reduced the inflation target for 2007-08 to 5%, and indicated that the medium term tolerance zone for inflation is now lower at 4-4.5%. It may be mentioned that in the preceding year target for inflation fixed by RBI was 5-5.5% which was breached consistently after November 2006.