

## Highlights

### *Growth Scenario*

- The Asian Development Bank (ADB) has raised its growth forecast for India to 6.0% in the current fiscal year from its earlier projection of 5.0%.
- The International Monetary Fund said that China and India will lead Asia's expansion in 2010, growing at rates of 9.0% and 6.4%, respectively.
- The World Bank sanctioned four loans aggregating US \$4.3 billion to support India's economic recovery by strengthening its state-run banks and funding infrastructure projects.
- The Reserve Bank of India has hinted at a need to roll back its accommodative monetary policy stance.
- EPWRF expects the growth rate for 2009-10 to be around 6.5%.

### *Agriculture*

- Rainfall recorded during the entire monsoon season has been 77% of long period average (LPA) till the end of September 2009, lower than the predictions of IMD.
- The poor performance of southwest monsoon has hampered the progress of all kharif sowings in 2009-10.
- The sown areas under crops like jowar, maize, tur, urad, moong, sesamum and cotton have shown a noticeable improvement, while that of other crops have shown declines.
- Kharif sowing 2009-10 is on the verge to conclude and conditions of standing crops are reported to be generally in a good shape while in states like Andhra Pradesh, Karnataka and Maharashtra, standing crops have been drained out due to excess rain at the end of the season.
- Harvesting of crops has started across various parts of the country. Rain lashed in the last week of September is expected to affect the quality of the harvested crop.
- Rice procurement for the marketing season (October - September 2008-09) have been around 333 lakh tonnes, 15.5% higher from 288.4 lakh tonnes during the corresponding period a year ago.

### *Industry*

- The Index of Industrial Production (IIP) grew by 10.4% in August 2009 on a y-o-y basis, its highest in the past 22 months.
- During April-August 2009 the index recorded a growth rate of 5.8% as against 4.8% in the corresponding period of the previous year.
- The manufacturing sector showed a tremendous improvement in production, posting a growth rate of 10.2% in August 2009 as compared to 1.7% a year ago. Cumulatively, for April-August 2009 the sector posted a 5.5% increase in its growth rate.
- Mining and Quarrying sector registered a growth rate of 12.9% in the month under review as compared to 2.8% in the previous year. During April-August 2009, this sector grew by 8.4% over 3.5% in the same period in 2008.
- Output in the electricity sector expanded by 10.6% in August 2009 and by 6.6% during April-August 2009.

- As per the use-based classification of industries, basic goods recorded a growth rate of 10% in August 2009 and capital goods grew by 8.3% in the same period. Intermediate goods on the other hand posted an increase of 14.3% in its growth rate in August 2009 over a decline of 5.5% in August 2008.
- Consumer goods industry registered a growth rate of 8.5% in August 2009 and 3.1% during April-August 2009 on a year-on-year basis.
- Consumer durables recorded an impressive 22.3% increase in its output in August 2009 and 18.1% during April-August 2009. Consumer non-durables showed a 3.7% increase in growth rate in August 2009, but plunged by 1.5% during April-August 2009.

### *Infrastructure*

- The infrastructure index recorded a growth rate of 7.1% in August 2009 as against 2.1% in August last year. During April-August 2009 the index grew by 4.8% as compared to 3.3% in the corresponding period of 2008.
- Of all the core industries, cement registered the highest growth rate of 17.6% y-o-y in August 2009 and 13.5% during April-August 2009.
- Coal and electricity posted 12.9% and 9.8% growth rates respectively in August 2009.
- Growth in the production of finished steel was up by 3.1% y-o-y in August 2009, while that of refinery products increased by 3% in the same period.
- Of the total electricity generation target set for 2009-10, the country achieved 40.5% till August 2009.
- Total power deficit stood at 10% in the period April-August 2009, as against 10.6% in the same period in 2008.
- A US \$3 billion loan was issued for the development of national highways by the World Bank in September 2009.

### *Information and Communication Technology*

- The cellular tariff in the world's cheapest Indian telecom market are set to fall further as the tariff war among telecom players has intensified as the call charges of cellular services has touched a new low with telecom operator Tata Teleservices' new tariff plan that allows CDMA subscribers unlimited minutes on local calls for just Re 1.
- Quattro BPO Solutions is the first BPO firm to have secured permission for 'Work from Home' model from DoT. The company has started pilot projects in Mumbai and Delhi to explore the possibility of scaling up the model.

### *Services*

- During January-September 2009, foreign tourist arrivals in the country have been lower at 3.58 million compared with 3.87 million in January-September 2008. foreign exchange earnings have been lower (-13.1%) at \$7.67 billion during the same period against \$8.82 billion received during January-September 2008.
- New guidelines issued by the Ministry of Tourism for classification of hotels seem to have added to apprehensions of the industry.
- According to DGCA, passenger traffic handled by domestic airlines has increased to 3.67 million posting a double-digit growth of 26%.

- The government has decided not to allow foreign airlines to invest in local helicopter service providers.
- The domestic aviation sector is going to witness a very first high-tech helicopter city that would serve as a one-stop shop for all chopper-related services.
- Textiles majors like Bombay Dyeing, Century Textiles and Raymond to foray into property development; Golden Tobacco, manufacturer of the Panama and Chancellor cigarette brands, also joins the trend.
- Model Real Estate (Regulation of Development) Act to control and promote construction, sale, transfer and management of colonies, residential buildings, apartments and other similar properties through a regulatory authority has been published.
- Realtors like Emaar MGF, Lodha Developers, Sahara Prime City and Ambience group to float IPOs to raise funds for undertaking expansionary activities.
- Cushman & Wakefield's 'Main Streets Across The World 2009' survey has revealed that rental values declined by 17.3% across the Asia-Pacific region; Mumbai has seen the steepest decline worldwide, at 64%.

#### Government Finances

- States decide on a 2-tier system of Goods & Services Tax.
- The Central Board of Excise and Customs (CBEC) has exempted service tax on transport of defence and military equipment, railway equipment, postal mail bags, relief material meant, calamities, accidents, parcels of newspapers and magazines. It has also exempted transportation of essential items, including foodgrain, edible oil, sugar, salt, fruits and vegetables, fertiliser, petroleum products through railways and waterways from payment of service tax.
- The Ministry of Finance proposes to notify a system to tax employee perquisites by October 2009.
- 5% additional DA to government employees has been announced.
- Interest subsidy schemes to farmers and home buyers introduced.

#### Corporate Developments

- The Institute of Chartered Accountants of India (ICAI) is likely to restrict, the number of entities an audit firm can register, to two. As well, the ICAI is planning to introduce sector-specific accounting standards to bring in more transparency in handling corporate accounts.
- The Competition Commission of India (CCI) will shortly notify Section 5 and 6 of the Competition Act to regulate mergers and acquisitions (M&A).
- The IL&FS group will take control of infrastructure firm Maytas Infra in line with a Company Law Board (CLB) directive. The CLB, based on a Maytas application, has instructed the company to induct IL&FS Financial Services as a promoter and allow it to assume management control.

### *Social Sector*

- Rohtak to have northern India's first IIM.
- CBSE allows Xth std students 5 attempts to improve grade.
- Cabinet approves 9 new IITs.
- Genzyme India, ICMR in talks to conduct infant health study.
- NREGA payments to be digitised.
- PFRDA approves proposal to manage corporate pension.

### *Inflation*

- Annual inflation measured by wholesale price index (WPI) registered a rise of 0.7% as on September 25, 2009 as compared to 12.1% during the comparable period of the previous year.
- The wholesale price index during the first six months of the current fiscal year has reached 6.5% almost the same level of 6.4% registered during the comparable period of last year.
- The price index of fuel, power, light and lubricants has witnessed a lower rise at 7.7% as compared to 9.8% a year ago during the period under consideration, while that of manufactured products has also a decelerated increase of 3.8% as compared to 5.1%.
- In August 2009, various consumer price indices rose in a range of 11.7% - 12.9% as compared to 8.5% - 10.3%.
- According to the latest commodity price index published by IMF, y-o-y inflation has registered a decline of 28.6% during September 2009 as compared to an increase of 24.7% during the comparable period of the last year.

### *Money and Banking*

- Second Quarter Review of Monetary Policy for the Year 2009-10 reflects that bank rate, repo rate, reverse repo rate, cash reserve ratio has been unchanged, whereas, it has been decided to restore the SLR for scheduled commercial banks to 25% of their NDTL with effect from the fortnight beginning November 7, 2009.
- For the financial year so far, up to September 25, 2009, M<sub>3</sub> has shown an increase of 7.0% as compared to a growth of 6.6% a year ago.
- For the month ending September 25 2009, aggregate deposits have witnessed a lower growth of 0.9% against a growth of 1.5% for the month under comparison a year ago.
- For the month ending September 25, 2009, investment accelerated to a growth rate 17.7% as a against single digit growth of 1.3% for the financial year a year ago.
- Bank credit for the financial year so far, registered a lower growth of 3.5% against a growth of 8.0% for the previous fiscal year.
- The SBI is foraying into the international market to raise close to \$1 billion, riding on improved sentiment for Indian paper.
- The long-awaited merger proposal of Kerala-based Catholic Syrian Bank (CSB) and Federal Bank is likely in the next two to three months.
- The first Islamic bank in the country with active involvement of the Kerala government is likely to start its operations in Kochi by next year as bank's registration formalities are currently being full filled.

### *Financial Markets*

- The BSE Sensex and NSE Nifty recorded a substantial rise in September over August.
- The secondary market turnover on NSE and BSE has increased marginally over the month.
- The SEBI Board decided to extend the facility of anchor investors to issue of IDRs on similar terms as applicable to public issues made by domestic companies.
- Mutual funds were net sellers of equities in the secondary market.
- FIIs were net buyers of equities to the tune of Rs 18,344 crore in September highest ever so far during the financial year 2009-10.
- RBI has released the 'Draft Guidelines on Repo in Corporate Debt Securities' on 17 September to introduce repurchase agreements (repo) in corporate debt securities.
- On 21 September 2009, RBI and the SEBI decided to jointly regulate non-convertible debentures (NCDs) of less than one-year maturity.

### *Commodity Markets*

- The total turnover in all the exchanges increased by 5% in September over August.
- The share of NCDEX in total turnover dipped during the month.
- The share of non- agricultural commodities witnessed a remarkable growth over the previous month.
- The ban on futures trading in sugar is extended following the price rise in the commodity.

### *External Sector*

- Bleak scenario persists in the external sector with exports and imports declining by 31% and 33.4% in comparison with the previous year.
- Oil imports were valued at US\$ 6.28 billion recording a 11.5% increase since the previous month primarily reflecting an increase in oil prices.