

ANALYTIQUE



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»» The Choice of Policy Priority Between
Agriculture and Non-Agriculture

– *Manas Paul*

»» Consumerism – The Trend in India

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– *Captain Dinesh Gautama*

Message

The Bombay Chamber of Commerce and Industry Trust for Economic and Management Studies was constituted in 1996 by the Bombay Chamber of Commerce and Industry to undertake independent research activities on various economic and management issues and for providing analytical views on macro-economic scenario, industrial performance and other issues of topical interest.

The Trust started publishing the quarterly magazine 'AnalytiQue' for the quarter October-December in the year of 1999 to serve as an effective vehicle of communication between the government, industry, economists, thinkers, management consultants and scholars. In its short journey the magazine had some trying spells and for reasons beyond our control, there has been no issue of 'AnalytiQue' after the issue of January-March, 2006. However, after four years, we are now determined to revive the publication in the form of a journal, while retaining its basic purpose and character. It will continue to serve members, who are drawn mainly from the world of business and commerce and will deal with contemporary economic issues while documenting some of the important developments of the Indian economy.

Bharat Doshi

*Trustee, Bombay Chamber of Commerce and Industry Trust
for Economic and Management Studies*

From the Editor's Desk

As we go to press with our second issue of 2010, two important economic indicators are being closely watched and discussed. Looking at the positive side first, the index of industrial production has shown a jump which was not anticipated by even the most optimistic commentators. However, on the negative side, inflation does not appear to have eased at all and continues at a level that the government itself considers unacceptable. It is therefore a matter of speculation how soon there will be a tightening of credit by the Reserve Bank of India. Conscious policies designed to contain inflation may well result in an increase in interest rates as a consequence, something that will not go down well with industry. We are in effect revisiting the age old discussion on the Phillips Curve on the relationship between unemployment and inflation rates.

In 1958, when William Phillips wrote his seminal paper, he was reporting on the observed empirical inverse relationship between money wage changes and unemployment in the British economy. It is fairly easy to grasp why this ought to be so at a micro level. Later versions of the Phillips Curve traced a relationship between inflation (since money wages and inflation move together in the same direction), and unemployment. Again, it is fairly intuitive that when the economy is booming and GDP is growing, increased demand for factors of production will cause what is called demand pull inflation. Later refinements in the theory led to what has been called the expectations augmented Phillips Curve. The idea is that if all of us expect high inflation, we will seek higher prices for our output as well as higher wages. This will lead to a rise in prices, or a self fulfilling prophecy. No matter which way you look at it, high growth rates are very likely to be accompanied by inflationary pressures. Tightening money supply and reigning in interest rates can help to dampen demand and thereby control inflation to some extent. But the dilemma is that doing so will come in the way of growth.

At present there is no less enviable job than that of the governors of the Reserve Bank who must decide on an appropriate monetary policy. The hope is that they will get it just right. Otherwise, economic theory suggests that there is a possibility of real damage to the Great Indian Success Story by too much tightening of the liquidity leading to higher interest rates.

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On the Last Issue of Analytique

All the three articles are enriching and the authors and profile will definitely add value to your's and Trust's efforts to make it worthwhile publication that everyone to whom it is being forwarded will look for.

My suggestions are below:

- 1) The articles shall contain a short summary of the issue, and the analytical results in conclusion in short. It will act as a bait for the readers.
- 2) The economy section is too long for modern day corporate readers. It will be appreciated if the summary of that section is also provided for the convenience of the readers.
- 3) Also, as you had carried rate comparison across countries and various markets, I suggest that you shall also compare various other economic indicators across developing and developed countries to provide a simple and short profile for those readers who wants to understand India's growth story vis-à-vis other countries.
- 4) A special coverage about the progress of recovery of various developed and developing countries both in terms of data and narrative would add value and relevance.
- 5) Each issue can focus on sector-wise policy issues especially from the economic dimension viz, energy, infrastructure, services, financial sectors.
- 6) A separate section on financial markets shall also be added. It can contain not only market information but also some analysis of the happenings connecting them to the news and information shall be useful for the leaders.
- 7) Also request you to host this on the Bombay Chamber's website with a provision for subscription to those who register (with minimal information about them) on the site. It will help capture the audience background and drive the content accordingly.

Thanks and Regards,

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The Choice of Policy Priority Between Agriculture and Non-Agriculture*

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Abstract

We study the linkages between the broad sectors of agriculture, industry and services in more recent Indian data. Though we find evidence of uni-directional causality running from both industry and services sector to growth in agriculture, there is no evidence of directional causality running from agriculture either to industrial or to services sector growth. The results appear to be in support of near-term policy initiatives favoring the industrial and more so the services sector in sustaining the growth momentum of the economy especially during periods of exogenous agricultural shocks. Without downplaying the importance of agriculture, the nature of such inter-sectoral relationships possibly indicates that: (i) in its current structure the agriculture sector has a limited role as a driving force for non-agriculture sectors of the Indian economy; (ii) that at least any policy priority favoring services sector need not necessarily go against agricultural growth if at all has positive linkages to it and (ii) that we as a nation remain yet far off in harnessing the larger potential benefits of accelerated agricultural improvements.

Introduction

A large part of the credit behind the current phase of phenomenal Indian growth has been attributed to the structural reforms that got initiated in early 1990's. The changes associated with such reforms are likely to get captured in the more recent data than those lying further off. It was in this respect that we thought of exploring the sectoral inter-linkages in Indian economy using the more recent quarterly data on Indian GDP, (available from 1996 onwards).

The structural reforms so far, have been perceived to be more successful in increasing the efficiency and competitiveness of Indian industry largely comprised of manufacturing. Impacts of agricultural reforms that have been perused so far are either perceived to be inadequate or at least far from being as far reaching as they have been for manufacturing.

Exogenous shocks to economy through agriculture as a fall-out of adverse weather conditions remains a reality even today. In such an event, the presence of bi-directional sectoral linkages between industry and services

* This article is based on the original paper presented at the conference on the Money & Finance organized by Indra Gandhi Institute of Development Research (IGIDR), Mumbai in 2010.

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(in the absence of directional causality running from agriculture to non-agriculture growth) can still help sustaining the growth momentum through appropriate policy initiatives favoring these sectors. Policy initiatives favoring industry and services in such a set up would be effective in neutralizing some of the negatives of adverse shocks from agriculture. In the same spirit adverse shocks either to industrial and/or services growths are likely to get magnified and policy initiatives directed towards agriculture alone to counter this need not be effective in yielding the desired result.

Given the importance of this issue, it is unlikely that it has not been explored before in the Indian context. Kalirajan & Shanker (2001), while discussing the subdued importance of agriculture in India's economic reform program, pointed towards bi-directional causality between industrial performance and agriculture. Chaudhuri & Rao (2004) pointed out that the presence of exogeneity of agriculture and that endogeneity of industrial performance in an industry agriculture inter-linkage need not be taken for granted. In other words agriculture need not be the driving force in an industry agriculture inter-linkage. Tarlok Singh (2009) emphasizes the importance of services sector in supporting Indian growth.

All of these studies are based upon long-term annual data that either club together periods before and after the structural reforms or deals with pre-reform period data. Moreover, these

studies end up adopting a two variable framework approach in exploring either the inter-linkage between industry and agriculture or between services GDP and non-services GDP. In the present study we wanted to take a fresh look at the sectoral inter-linkages in the more recent Indian data.

The study is based upon quarterly data on the three broad sectors of GDP. They are industry, agriculture and service from second quarter of the year 1997 to third quarter of the year 2009. In our analysis agricultural growth implies growth of output from agriculture and allied activities (like forestry and fishing). Industrial growth means growth in the sum total of output from mining and quarrying, manufacturing and electricity gas and water supply. Services growth implies the growth in sum total of output from construction, trade, hotels, transport and communication and also from financing, insurance, real estate and business services. The data source is National Accounts Statistics from the Central Statistical Organization. The classification of overall sectors (consists of agriculture, industry and services) is as per RBI (Reserve Bank of India) data as presented in the Hand Book of Statistics on Indian Economy.

Figure 1 shows the increasing dependence of Indian growth on services and industry both in terms of share as well as contribution to growth. For agriculture even if the share could be construed to be somewhat stable, it's contribution to growth show wide variations (Figure 2).

Figure 1: Rising Share of Non-Agriculture GDP

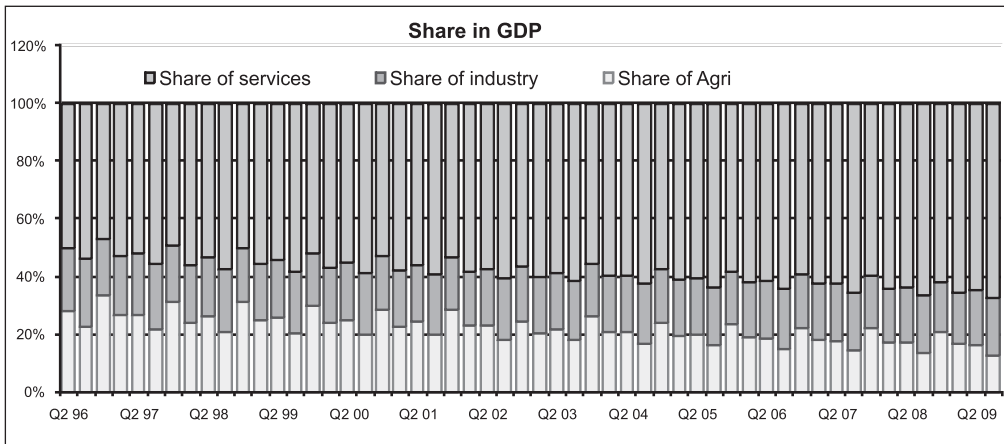
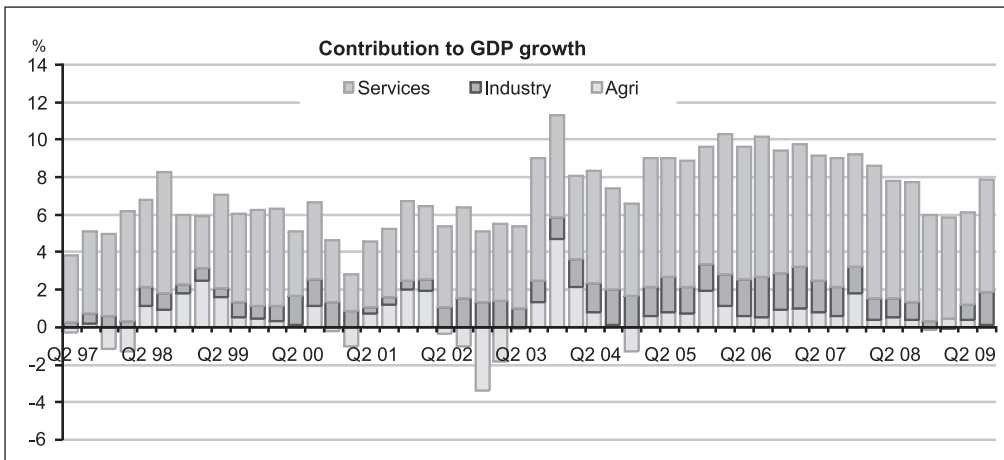


Figure 2: Contribution of Agriculture to Growth



Source: CSO, Axis Bank Research

Empirical Investigation and Interpretation of the Result

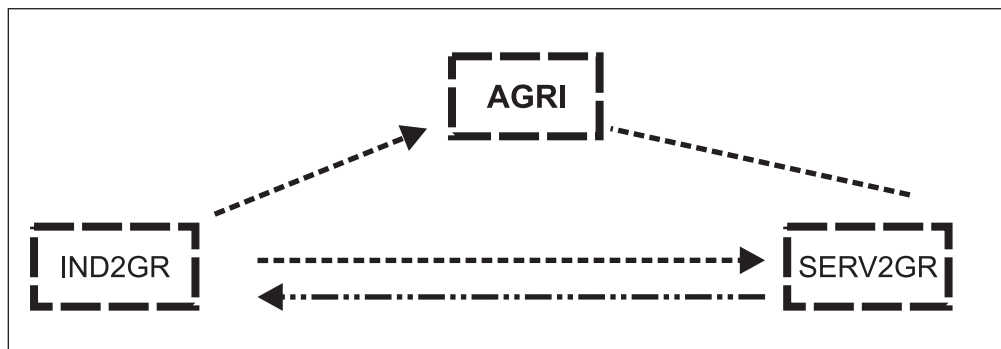
To examine possible feedback mechanism that might exist amongst the three broad sectors of agriculture, industry and services; we look into pattern of causality amongst them in a systems framework. From policy perspective, what matters are not only direction of causality but their magnitude and persistence as well.

The present system allows us to do so by observing the impulse response functions.

Both the causality tests and impulse responses are based on two models chosen by the different model selection criteria.¹

Causality tests point to the following type of inter-sectoral interactions:

Figure 3: Direction of Casuality



Impulse responses convey the basic results of the causality tests: that growth in agriculture does not feed into either industrial or the services sector growth; and that there is positive bi-directional causality between industry and services.

Without downplaying the importance of agriculture, the nature of such inter-sectoral relationships possibly indicates that at least any policy priority favoring services sector need not necessarily go against agricultural growth if at all has significant positive linkages for it. This is more in tune with the results of Tarlok Singh (2009) even after allowing for explicit interactions between agriculture, industry and services rather than clubbing the first two sectors as non-services GDP.

This by no means is an effort to belittle any policy priority against the rural economy. Rather it is a question of exploring the status of agriculture in its present form as a driving force for the economy. In fact the importance of rural India can never be undermined. Housing around 71% of the population it contributes nearly half of the Indian GDP. Even if it contributes around 94% of the agriculture GDP it produces

nearly half (46%) of the industry GDP and around one third (34%) of the services GDP as well (Table 1).

Table 1: Net Domestic Product by Economic Activity 2004-05 (Current Prices)

Rs. Crore	Rural	Urban	Total	Rural as % of total
Agri	486781	30870	517651	94%
Industry	206071	244445	450516	46%
Services	576866	1101338	1678204	34%
Population	777.7	311.3	1089	71%
Total	1269718	1376653	2646371	48%

Source: NAS 2010, Axis Bank Research

Our empirical investigation in the more recent Indian data, rules out agriculture in its current form as a driving force for non-agriculture growth. Though, the results do not rule out prospects of directional causality running from industry and services to agriculture.

The study thus convey the basic results that growth in agriculture does not feed into either industrial or the services sector growth and that there exists positive bi-directional causality between industry and services. Our impulse response functions in both the models used throws up the possibility of some

negative even if negligible feedback from innovations in industrial growth to agriculture. The reason behind this is not exactly clear to us. It needs to be explored if this could be related to issues like increasing dependence of agriculture for its critical inputs on non-agriculture sector like chemical fertilizer or relative decline in the importance of agro based industries in the total output of registered manufacturing or there is something else that is not that obvious.

That leaves behind some important questions to be addressed as to why such an important segment of the economy housing the lion's share of population is failing to emerge as a driver of non-agricultural growth. Does it point to the lack of expanding economic opportunities and adequate investments in raising production and rural income when the same is happening in non-agriculture sectors? Does it point to the limited success of Indian agriculture policy in achieving self-sufficiency in food alone without being able to exploit the advantage of cheap raw materials and labour in developing agro-based industries? More so has the reforms process so far ignored the sectors capacity to contribute to a more rapid overall rate of economic growth?

There is always the common criticism of lack of adequate investments both (private and public) in agriculture, to keep pace with the mix of constant rise in population and the odds of vagaries of monsoon. For one, investment in agriculture has been painfully low. If India has been talking out investment rate in excess of 37% in the recent past, agricultural investment has remained painfully low at around 3%, even though it's share in overall GDP varied in the range of 16% to 19% (Table 2).

What has been of even more concern is inadequate public investment in agriculture. Over the entire Tenth Plan period if the share of private investment in agriculture and allied activities has been at 2% of GDP, that of public investment has averaged around a miniscule half a percentage of GDP.²

Moreover, despite all our achievements in other fronts, of the 124mn hectares of land under food grains cultivation (which has itself seen a decline from over 131mn hectares in FY84) only 45.5% are covered under irrigation³, exposing more than half of our cultivated land to the vagaries of monsoons.

Table 2: Sectoral Share in GDP and Capital Formation 2004-05 (Current Prices)

	Sectoral share in total GDP					Sectoral capital formation (net) as a % of GDP				
	2004-05	2005-06	2006-07	2007-08	2008-09 QE	2004-05	2005-06	2006-07	2007-08	2008-09
AGRI	19%	18%	17%	16%	16%	2.7%	2.9%	2.6%	2.8%	3.3%
IND	20%	20%	21%	21%	20%	14.5%	15.8%	17.7%	19.0%	14.8%
SERV	61%	62%	62%	63%	64%	16.9%	17.5%	17.9%	18.5%	18.7%

Source: NAS 2010, Axis Bank Research

In terms of productivity, according to 2006 figures, the 3124 kg yield per hectare of paddy in India remained well below the world average at 4112kgs, it is around half the Chinese yield at 6265kgs, well below the yield per hectare for Myanmar (at 3500kgs), Philippines (at 3684kgs) and Vietnam (at 4981kgs), even marginally lower than the yield per hectare of Pakistan at 3164kgs⁴.

It would be quite unlikely to be able to ensure agricultural development by confining attention within the boundaries of agricultural fields alone. As a matter of fact it has to encompass the entire gamut of production, availability of banking and finance, development of rural markets, roads and communications, agricultural research and its percolation through agricultural education.

The detailed break up of Net Domestic Product by economic activity for NAS 2004-05 (the most recent data available) shows the need for considerable improvements at the least in rural banking and insurance as well as communication. For example the rural economy as a whole has a 34% share in overall services production in the economy. In relation to that it's share in the banking and insurance GDP at a meager 15% and that in communication at 17% appear unusually low.

At the background of such structural deficiencies in Indian agriculture, the results of our exercise do not seem to spring any unexpected surprise. Though, at the same time it supports

any sense of urgency for a closer scrutiny of this important sector of the economy, one to harness the potential for higher sustainable growth and two to transform it into to a driving force for non-agriculture sectors of the Indian economy. Extension of similar analysis into added levels of granularity across sub-sectors and states can make the output lot richer and insightful.

Conclusion

Exogenous shocks to economy through agriculture as a fall-out of adverse weather conditions remains a reality even today. In such an event, bi-directional sectoral linkages between industry and services (in the absence of directional causality running from agriculture to non-agriculture growth) can still help in sustaining the growth momentum through appropriate policy initiatives favoring these sectors. Policy initiatives favoring industry and services in such a set up would be effective in neutralizing some of the negatives of adverse shocks from agriculture. In the same spirit adverse shocks either to industrial and/or services growths are likely to get magnified and policy initiatives directed towards agricultural growth to counter this need not be effective in yielding the desired result. There can be no two doubts about the economic and social importance of agriculture for its contribution towards achievement of the national objectives of food security, employment, regional equilibrium and social cohesion. However, in its current structure the agriculture sector might have a limited role as a driving force for the other

non-agriculture sectors of the Indian economy.

Notes

1. Technical details available on request to Analytique.
2. Agriculture Statistics at a Glance 2008, Table 3.6(c).
3. _____, Table 4.5(a).
4. _____, Table 7.2.

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Consumerism – The Trend in India

Rajnarayan Gupta *

Abstract

People say that consumerism is increasing. Then, how is consumerism defined and measured? The present study attempts to give a definition of consumerism and examines whether there is any substance in the popular belief in increasing consumerism. The study refers to the Indian scenario. Consumption of durable goods and their share in the consumer's budget are considered to be the two indices of consumerism. The study is based on NSS (National Sample Survey) data. The three quinquennial surveys of NSSO (National Sample Survey Organization), viz., the 43rd round, the 50th round and the 61st round have been considered for the investigation. However, the study reaches a mixed conclusion on the basis of available data. Consumerism seems to have increased in terms of consumption of durable goods but not in terms of budget share.

Introduction

The word 'consumerism' is used in different meanings in different contexts. At least, the word has two meanings in vogue. Sometimes it is used in the sense of an indulgence in

consumption. Sometimes it is also used to mean protection of the consumer right or consumer sovereignty. In this study, however, consumerism has been defined in the first sense of the term, it means enhancement in the spirit of consumption.

There is a common belief that consumerism is increasing in the world, people are being more inclined to material consumption. Perhaps this conjecture appears sensible with the increasing commercialization of the society and with the ever increasing magnitude of advertisement for consumer goods and their constant pampering in the media, especially in the electronic media. The present study examines whether there is really any substance in this conjecture. At the outset, the study needs to give a more specific and quantifiable definition of consumerism. The notion of increasing consumerism is then empirically verified with NSS (National Sample Survey) data. The three quinquennial surveys of NSSO (National Sample Survey Organization), viz., the 43rd round, the 50th round and the 61st round have been considered for the investigation.

Consumerism, as the term is defined here, should have not much to do

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with essential commodities like food items or health services. The demands for those items are inelastic. Even if people are motivated to speed up consumption, they are least likely to raise the consumption of essentials. Consumerism should affect the consumption of non-essential items or, more specifically, the luxury items. The present study examines whether the consumption pattern shows a tilt towards luxury items.

It is very difficult to draw a dividing line between essential and non-essential commodities. The very concepts of 'essential' and 'non-essential' are relative. What was non-essential in the past has become essential in the present. Similarly, what is being considered as non-essential today may be regarded as essential in the future. It is also very difficult to dub an item essential or non-essential uniformly for all classes of people. What is used as an essential commodity to the rich may appear quite luxurious to the poorest section of the society. However, in spite of all these definitional problems, it would probably not be unwise to make some gross classification of consumer goods between essentials and non-essentials. Food items and health facilities, it has been mentioned above, can be regarded as essential commodities. Consumer durables, at the other end, should grossly fall in the category of non-essentials. People can live without a TV or a car, but they cannot live without food. Regarding other groups of consumption items, it is very difficult, however, to mark them as essentials or non-essentials.

The present study concentrates on the consumption of durable goods.

Since consumer durables are almost purely non-essentials to all classes of people, the level of consumption of those goods and their share in the consumer's budget can be treated as two indices of consumerism – the spirit of consumption. The study verifies whether consumerism has increased in recent years with data published by NSSO.

Expenditure on Consumer Durables – A Study Based on NSS Data

NSSO conducts detailed survey of consumer expenditure throughout the country in every fifth year. The last four of these quinquennial surveys, viz., the 43rd round, the 50th round, the 55th round and the 61st round were carried out in 1987-88, 1993-94, 1999-00 and 2004-05 respectively. NSS divides the population into several expenditure classes. Expenditure classes are typically called Monthly Per Capita Consumer Expenditure (MPCE) classes. Total monthly consumer expenditure of a household is divided by the number of family members to get MPCE of that household. Data are provided on average monthly per capita expenditure on different broad groups of food and non-food items for different expenditure classes.

A household is defined to be a group of persons who live together and take food from a common kitchen. Temporary visitors are excluded from the household but temporary stay-aways are included. Household consumer expenditure is then the total expenditure of the household on various groups of items, viz., food,

clothing, health, education, durable goods and others. The present study considers only the expenditure on consumer durables. By consumer durables, the survey means all consumption items which have a lifetime of one year or more. Thus, durable goods include furniture, television sets, tape recorders, jewellery and ornaments, home appliances like washing machines or refrigerators and so on. Consumption expenditure on durable goods includes both expenditure on purchase and expenditure on repair and construction of household durables.

NSS collects data on expenditure with reference period of 30 days and/or 365 days. However, up to the 50th round survey, data were published only with the reference period of 30 days. The 55th round survey published data with both 30-day reference period and 365-day reference period. Data on five categories of goods and services, viz., clothing, footwear, education, medical services and durable goods were published with 365-day reference period while data on all other types of goods and services were published with reference period of 30 days. The 61st round survey published data on all items with reference period of 30 days, but in addition it also presented data on those five special categories of goods and services with 365-day reference period, varying reference period is a constraint to comparison of data across surveys. Reported expenditure generally remains higher with longer reference period, underreporting is more likely with shorter reference period. Expenditure on consumer durables in the 55th round survey, for that matter,

is not comparable with that in the preceding two surveys, viz., the 43rd round and the 50th round, because the 55th round survey used only 365-day reference period while the 43rd round and the 50th round surveys provided data only with 30-day reference period. The 55th round results can only be compared with the 61st round results, because the 61st round survey published data on consumer durables with both 30-day and 365-day reference periods. The present study compares among the 43rd round, the 50th round and the 61st round surveys to have a long run view of the consumption dynamics. The 55th round survey has been abandoned for genuine reasons.

The average monthly per capita expenditures on consumer durables for all MPCE classes as obtained in those three quinquennial surveys (on consumer expenditure) are given in the Table 1. The values in parentheses show the percentage budget shares of durables which are obtained by dividing expenditure on durables (per person) by total expenditure (per person) and multiplying the quotient by 100.

Table 1: Average Monthly Per Capita Expenditure (Rs.) on Consumer Durables

Survey	Rural Sector	Urban Sector
43rd ROUND (1987-88)	5.64 (3.50)	10.60 (4.20)
50th ROUND (1993-94)	7.67 (2.70)	15.17 (3.30)
61st ROUND (2004-05)	19.23 (3.40)	42.81 (4.00)

Note: The values in parentheses are the percentage budget shares of consumer durables.

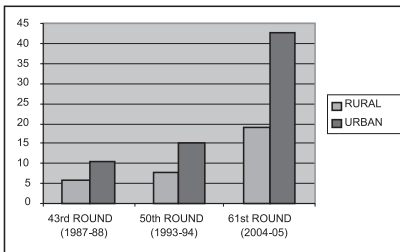
Source: NSSO, NSS 43rd, 50th and 61st rounds.

The intertemporal comparison shows that expenditure on consumer durables has risen over time. This is true for both the sectors. But, the budget share of consumer durables does not show any uniform trend – upward or downward. In the rural sector, average expenditure on durables rises from Rs. 5.64 in 1987-88 to Rs. 7.67 in 1993-94 and then to Rs. 19.23 in 2004-05; but, the budget share first falls from 3.50 to 2.70 and then rises to 3.40. In the urban sector too, budget share first falls from 4.20 in 1987-88 to 3.30 in 1993-94 and then rises to 4.00 in 2004-05, although absolute expenditure rises continuously from Rs.10.60 to 15.17 and then to Rs. 42.81. It appears therefore that irrespective of sectors, expenditure on consumer durables has no doubt increased (Figure 1), but no trend is visible in the budget share

(Figure 2). In other words, expenditure is rising in absolute term but not in relative term.

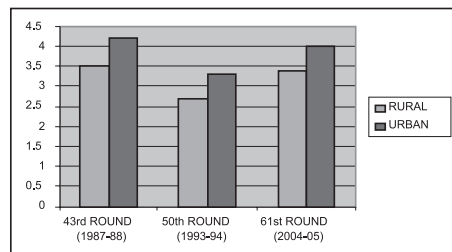
The increase in expenditure on consumer durables over time implies increase in real consumption as well because prices of durable goods, in general, are falling. Indeed, it is the decline in prices that has caused consumption to rise. Since demands for those goods are highly elastic, consumption responds strongly to changes in prices. Also, the increase in durable goods consumption can be attributed to the rise in overall affluence of the society. The (per capita) real income of the people, for instance, has increased substantially during the period under consideration (Figure 3) which, in turn, should have stimulated overall level of consumption and hence consumption of durables.

Figure 1: Average Monthly Per Capita Expenditure (Rs.) on Consumer Durables



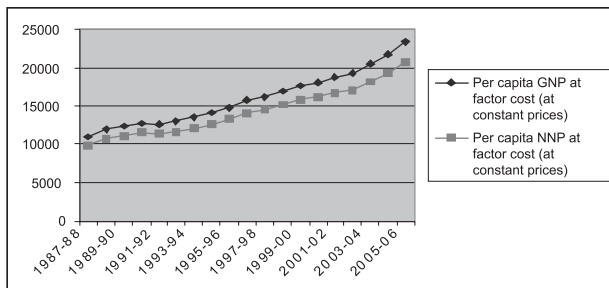
Source: NSSO, NSS 43rd, 50th and 61st rounds

Figure 2: Average Budget Share of Consumer Durables



Source: NSSO, NSS 43rd, 50th and 61st rounds

Figure 3: Per Capita Real Income (Rs.)



Source: Central Statistical Organization (CSO).

Conclusion

NSS data reveal that consumption of durable goods has risen over the period from 1987-88 to 2004-05, but their budget share does not show any uniform pattern. This is true for both the rural sector and the urban sector. Thus, the study reaches mixed conclusion. Increasing consumerism is evident in India if the level of consumption of durable goods is the yardstick of consumerism. People, it seems, are consuming more of durable goods than earlier and this is true for almost all classes of people - whether in the rural area or in the urban area. Noticeably, however, more consumption has not meant greater weight of those goods in the consumer's budget. Thus, in spite of so many inducements and the demonstration effect, the relative importance of durables has not increased in the consumer's budget allocation. Increasing consumerism is therefore not evident from durable goods' budget share. It appears rather that people are consuming more of those goods because prices of those goods are falling and because their real incomes are increasing.

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Inflation Drifting Down, But Risk Remains

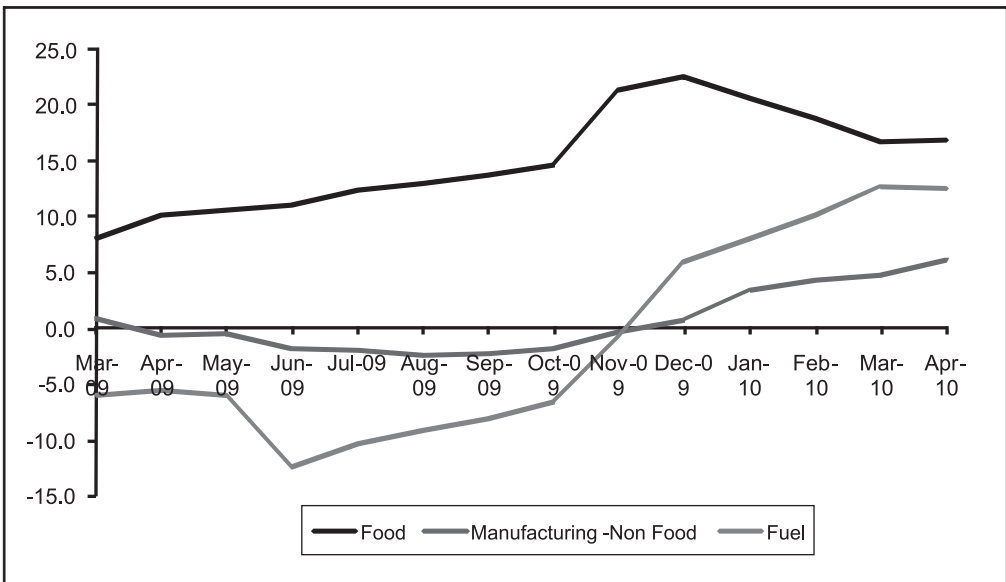
Dharmakirti Joshi *

The consumer price inflation has been in double digits since the beginning of 2009 and Wholesale Price Index (WPI) based inflation touched double digits towards the end of last fiscal. The overall inflation rate has now finally started inching down, albeit at a slow pace. Food inflation which was at 22.6 per cent in December 2009 has come down to 16.9 per cent by April 2010. But these developments do not bring much cheer. From a policy perspective, inflation has become more worrisome.

Till recently, the pressure on inflation has been largely limited to food items.

This was due to a supply shock to agriculture. Not anymore. Recent evidence shows inflationary pressures are spreading beyond food items. Despite a good winter crop the food inflation continues to remain stubborn at around 17 per cent in the last few weeks. The raw material prices/commodity prices too have also posted a significant rally in the last few months. The fuel and manufacturing group are increasingly contributing to inflation. Inflation in manufacturing sector (excluding food items) can be regarded as proxy for core inflation. It has

Inflationary Trends



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continuously inched up and was at 6.1 per cent in April, 2010. This to some extent reflects the build of demand pressures. So, not much comfort can be derived from the peaking out of overall inflation.

If monsoons are normal this year and global commodity prices do not spike from the current levels, the inflation can be expected to moderate and come down to 6-6.5 per cent by March 2011. So far the exit from accommodative monetary policy has been calibrated to ensure that it does not jeopardize the recovery. Risks to inflation can emanate from the performance of monsoons

and commodity price spikes. Both these factors are outside the influence of our domestic policy. This can further pressurize inflation if demand accelerates and monetary conditions stay easy. So, a further surprise on inflation can force the RBI to press the interest rate pedal a little harder creating a speed-bump for the economy. Right now given the problems in Europe, a spike in commodity and oil prices looks like a low probability event. One hopes that monsoons turn out to be normal, as IMD has predicted. On last two occasions rains have belied IMD expectations.



To Sign or Not to Sign – India at the Cross Roads

Captain Dinesh Gautama

Abstract

Unknown to most, the basis of international shipping trade was when a ship left a port and reached its destination port. Today, as per the Rotterdam Rules, international trade will begin from your doorstep when the truck with cargo leaves and ends till the factory door. The article takes you through the rapidity of changes in the liability regimes that has always kept bankers and insurers on tenterhooks. With its existing infrastructure – will India take a call to sign?

Introduction

With many major trading nations having signed the new rules for the Bills of Lading, called the Rotterdam Rules, India is still looking into what effect the new rules will have on the Indian trade. While these rules have been signed by about twenty countries, including the USA, India has still not come out in the open what it wants to do.

The sea was always associated with adventure. Boats were built to carry soldiers and goods across the seas but the underlying principle that the carriage of goods by sea was still an adventure was never forgotten. It was this principle that formed the basis of all legislation relating to the liabilities

that arise due to the carriage of goods by sea and which are contained in a myriad of clauses that are printed behind a bill of lading.

In the years before 1800, ship-owners as carriers would normally exclude most of the risks associated with the carriage of goods across the seas on their ships. This practice was extensive and almost every risk could be found in some form of an Exclusion Clause. The carriers made it clear that there was a freedom of contract and both parties (carrier and the cargo interest) were free to negotiate the terms of their contract and incorporate them in the bill of lading. This sounded very logical and fair to both sides. Yet, the cargo interests felt that there was no “freedom to contract” because the only freedom, as per their perception was either to ship cargo on the terms of the carrier or not to ship at all. It should also be remembered that in some parts of the world, particularly the North Atlantic areas, the ship-owners were excluding virtually every liability that fell upon them. The best or worst whichever way one looks at that was the “negligence clause” which in effect, excluded all the ship-owners liability for practically all events including their own negligence.

While it was only the shippers that carried out negotiations for modifying

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the terms of a bill of lading, the other parties like consignees, endorsees and banks never had any opportunity of having any influence upon the negotiated terms of the bill of lading. Though a few attempts to promote a model bill of lading were proposed in England, it did not materialize. Even demands to introduce legislation were not successful.

This was different in other jurisdictions where the cargo interests were more powerful. In the United States, the cargo interests got their say in the Harter Act of 1897. Thereafter other jurisdictions where cargo interests were more powerful also followed suit with similar legislation. New Zealand enacted the Shipping and Seaman Act of 1903, Australia enacted the Sea Carriage of Goods Act of 1904, and Canada had the Water Carriage of Goods Act, 1910.

From this it was evident that two types of blocs were beginning to form – those that had cargoes (Cargo interests) and those that had ships (ship-owning interests). During the time of the wooden vessels (i.e. before 1800s and during the beginning of 1800) the Americans had some form of predominance in ship-owning. But during the American Civil War, a lot of tonnage was transferred from the American flag. Besides this, with the advent of metal ships and screw vessels, the European carriers got a strong position in the North Atlantic. So, the cargo-interests bloc comprised mainly of the United States and what are now called the Commonwealth states – Canada, Australia and New Zealand while the carrier interests were concentrated in the North Atlantic.

This was a situation that needed to be resolved by bringing about a uniform international approach. In order to achieve this, it was considered necessary to take into account the views of the ship-owners, shippers, bankers and underwriters.

The First Uniform Approach

It was only in 1921 when many discussions took place between the representatives of bankers, shippers, underwriters and ship-owners of leading maritime nations that a set of rules was finally drafted by the Maritime Law Committee of the International Law Association at a meeting held in 1921 at The Hague. These rules thus came to be known as the Hague Rules. However, these rules were not immediately adopted but were further amended at the CMI Conference in London in 1922. At this meeting a draft convention was prepared which was again amended at their Brussels meeting in 1923. Finally, the agreed draft rules (called the International Convention for the Unification of Certain Rules of Law Relating to Bills of Lading) were put up at Brussels for signature on August 25, 1924 and signed by the most important trading nations. These countries were expected to give statutory effect to these Hague Rules with regard to all outward movement of cargoes contracted through the bills of lading. One of the first countries was Great Britain which adopted the draft convention of 1923 by enacting the Carriage of Goods by Sea Act, 1924. Subsequently, India enacted the Carriage of Goods By Sea Act, 1925.

The Hague Rules brought about a radical change, particularly with

respect to the legal status of carriers (ship-owners). Before the Hague Rules came into existence, ship-owners were considered as “common carriers” who had the freedom to restrict their liabilities and they used this freedom to the fullest extent. With the enforcement of the Hague Rules, the liabilities of the ship-owners were properly delineated and could not be contracted out. At the same time the rights and immunities of the carrier were also precisely determined. It is said that the Hague Rules represent the first effective internally agreed control of the bill of lading terms.

On to the Visby Protocol (or Hague Visby Rules)

But did the Hague Rules work? There were about 60 countries that signed the Hague Rules. As this was a first uniform approach, it had not been tested and thus needed time. And as time passed issues arose. There were basically five defects in the Hague Rules that needed to be addressed. These were the Vita Food gap, the liability of a sub-contractor (a matter that arose in the *Scruttons v Midland Silicones* case), *The Muncaster Castle* case regarding delegating matters relating to ship-owners duty of duty diligence, probative effects of bills of lading and lastly problems regarding “package” or “unit limitation”. All these issues needed to be discussed and were to be dealt with by Comité Maritime International (CMI). At some stage, *The Muncaster Castle* case was dropped as it was felt that ship-owners should not delegate matters relating to due diligence and

they should sue their own independent contractors instead of passing the buck. The remaining defects were worked upon by CMI and a draft was made out at the CMI conference in Stockholm in 1963 but signed in the town of Visby on the island of Gotland in the Baltic at the end of the conference. But even after signing this, a lot of work was carried out and further amendments made to the draft. Finally, what was adopted was The Protocol to Amend the International Convention for the Unification of Certain Rules of Law Relating to Bills of Lading. This protocol came into force on June 23, 1977 and was referred to as the Hague Visby Rules. All the amendments contained in this were conducted under the CMI. The Hague Visby Rules were not an independent set of rules but were a form of “conversion factor” for modifying the existing structure of the Hague Rules. The main bulk of the Hague Rules remained the same and the alterations were done to take care of the defects that arose during their operation for the past 44 years.

The Hague-Visby rules were further amended by the Protocol Amending the International Convention for the Unification of Certain Rules of Law Relating to Bills of Lading (August 25, 1924, as Amended by the Protocol of February 23, 1968). This further amending protocol was adopted in Brussels on December 21, 1979 and came into force on February 14, 1984. In this amendment, the main development was to adopt a new basic accounting unit, which earlier had been Poincaré Gold Francs, but would

now be Special Drawing Rights of the International Monetary Fund.

Then What Are These Hamburg Rules?

At the time when the Hague Visby Rules were adopted, the world was already undergoing a change. Developing countries were realizing that they were flush with raw materials which were a major requirement for the developed nations. At that time, the secretariat of UNCTAD (United Nations Conference on Trade and Development) prepared a report in 1979 where it drew attention to a few defects in the Hague Rules. According to UNCTAD, these defects were not favourable at all to the cargo-owing countries as well as the developing countries. Some of the points raised were that the Hague Rules would operate to create more business for developed nations, cause double insurance situations where the cargo owner would insure for a risk which was actually a ship-owners liability. Thus the developing countries and the UNCTAD Report brought out about eight points that needed attention and correction.

The first point was that the “excepted perils” of the Hague and Hague-Visby Rules did not apply to deck cargoes nor to carriage of livestock and because of this, the ship-owner could stipulate special conditions. The ship-owners argued that these needed a specialized form of carriage and thus there was a need to stipulate special terms. The developing nations argued that there was no need to keep them out of the Hague and Hague Visby Rules because by doing

so it had created a situation whereby the ship-owners had an upper hand.

Secondly, there were some “excepted perils” which were challenged and particularly the one regarding the exception from liability for nautical fault i.e. negligence in management and navigation under the “Excepted Perils”. Why was the ship-owner not being made liable for negligent navigation? And why was there an exception for fire, unless caused by actual fault or privity of the carrier?

The third problem was to determine when the applications of the Rules start and when do they stop. As per the understanding the carrier was responsible for the goods when they came into his possession upon crossing the ship’s rail and the ship-owners liability stopped after the same cargo crossed the ship’s rail during discharging. But this was a little different from the actual Rules, which said In Article II that “ Under every contract of carriage of goods by sea the carrier in relation to loading, handling, stowage, carriage, custody, care and discharge of such goods shall be subject to the responsibilities and liabilities and entitled to the rights and immunities hereinafter set forth”. This Article suggested that loading and discharging functions were a part of the carrier’s duties.

The fourth problem was that the Rules did not talk about “delays” and associated liabilities.

The fifth problem related to “time bar”. There was a short time bar if action was

stipulated against the ship-owner but there was no such restriction if the ship-owner wanted to act against the cargo owner.

The sixth issue was as to why there was a unit limitation at all. In any case was it not too low?

Seventhly, there were no jurisdiction or arbitration clauses in the Rules. Thus ship-owners were free to litigate in countries of their choice. Even if the shipper had a choice of negotiating a place of litigation, he could never be sure if the ship-owner would be helpful in this regard.

As an eighth point, it should be noted that the burden of proof was different in different countries. The clauses in a bill of lading were interpreted differently in different countries also.

Lastly, and an important point, was the “split risk regime” behind the Hague and Hague Visby Rules which actually came from the Harter Act. By this split risk, the carrier was liable for seaworthiness and care of cargo; and the cargo owner takes the risk and insures in respect of negligence in navigation and management. It is the split risk that led to difficulties. How was it possible for the cargo owner to find out what went wrong in navigation? Was it possible for him to get all the evidence and prepare to produce everything within a year?

With all this happening, the developing countries felt that it was important to bring about a new set of rules that were a little more favourable to them. So, it was due to these considerations that

the Hamburg Rules were promulgated. For the Hamburg Rules (called the United Nations Convention on the Carriage of goods by Sea, 1978) to be put into force, there was a requirement for 20 countries to adopt them. By now more than 29 countries have signed the Hamburg Rules and in particular some of them are Botswana, Barbados, Burkina Faso, Chile, Egypt, Guinea, Hungary, Kenya, Lebanon, Lesotho, Malawi, Morocco, Nigeria, Rumania, Senegal, Sierra Leone, Tanzania, Tunisia, Uganda, Zambia, Austria and Cameroon. The Hamburg Rules came into effect on 1st November 1992. The Hamburg Rules have not been ratified by most of the major trading nations and it is said that they have not been very effective internationally.

And Now the Rotterdam Rules – Why Another Set?

By the end of the twentieth century there was a crying need for reform again. It was felt that the Hague Visby rules relating to the carriage of goods by sea had become antiquated and were “old-fashioned”. Then the Hamburg Rules had been rejected by most of the leading maritime nations. And lastly, the multimodal issues had not been regulated well which was evident by the unqualified rejection of the 1980 Convention on Multimodal Transport. Thus that’s why a new regime called “United Nations Convention on Contracts for the International Carriage of Goods Wholly or Partly by sea” based on a resolution was adopted by the UN General Assembly on 11

Dec 2008 which authorized a signing ceremony for the Convention to be held in Rotterdam, recommending the new Convention to be known as the “Rotterdam Rules”.

This new convention (Rotterdam Rules) now extends and modernizes the prevailing international rules relating to the contract of carriage of goods by sea. The aim of this convention is to replace the Hague Rules, the Hague-Visby Rules and the Hamburg Rules and thus achieve a uniformity in international law in the field of carriage of goods by sea and as well as provide for terms in relation to door-to-door carriage.

The Rotterdam Rules became open for signature at the signing ceremony in Rotterdam on September 23, 2009. Till May 17, 2010, 21 countries had signed the Rotterdam Rules. These countries are Armenia, Cameroon, Congo, Denmark, France, Gabon, Ghana, Greece, Guinea, Madagascar, Mali, Netherlands, Niger, Nigeria, Norway, Poland, Senegal, Spain, Switzerland, Togo and the USA.

The Hague Rules had 16 Articles and Visby Protocol added one more making it 17 Articles in the Hague Visby rules. The Hamburg Rules had 34 Articles and 2 Annexes. Now, the Rotterdam Rules have 34 Articles in 18 Chapters written on 39 pages. Another conspicuous difference between them is that the carrier’s liability in the Hague Visby Rules was from “tackle to tackle”, it was “port to port” in the Hamburg Rules and “door to door” in the Rotterdam Rules.

The Rotterdam Rules are the first rules that govern the carriage of goods by sea as well as the connecting portions before and after the sea leg. They were made as a result of inter-governmental negotiations that took place between 2002 and 2009. The negotiations took place within the United Nations Commission for International Trade Law (UNCITRAL) and after the Comité Maritime International (CMI) had prepared a draft for the Convention.

The Rotterdam Rules have been drafted very carefully. But then they are very technical and need to be perused thoroughly for a clear understanding. This can be clarified with a few examples.

It was always the opinion that Rotterdam Rules are meant for “door-to-door” shipments. This is not the case. It should be noted that the carrier’s responsibility depends upon the terms of the contract and that nothing in the Convention prohibits the parties from entering into a traditional “tackle-to-tackle” or “port-to-port” contract of carriage. If we go through Article 12(3), it explicitly allows the parties to agree on the time and location of the receipt and delivery of the goods. Therefore it is possible for the parties to enter into a traditional “port-to-port” contract of carriage in which the shipper delivers the goods to the container yard (CY) of the port of loading and the carrier unloads them at the container yard at the port of discharge, with the carrier only responsible for the carriage between the two container yards – which in today’s Bills of Lading is

mentioned as CY/CY. So, it is clear that Rotterdam Rules apply to “door-to-door” shipments only if the parties agree that the carrier assumes the responsibility for the whole part of the transport, including land legs. So, nothing in the Rotterdam Rules prevent the parties from entering into a pure maritime contract (i.e. “port-to-port” or even “tackle-to-tackle”) and the only restriction would be Article 12(3).

Another important feature of the Rotterdam Rules is the involvement of third parties like freight forwarders. If, for instance, a freight forwarder undertakes to carry the goods to its customer, it is a carrier under the Rotterdam Rules. And if a freight forwarder enters into a contract with a sub-carrier in its own name, it is a shipper under the Rotterdam Rules.

The carrier and the shipper are free to incorporate any terms that are not restricted by the Rotterdam Rules. The payments of freight, time of delivery, lay time and demurrage, or options to change the port of destination are examples of such terms.

A new concept introduced in the Rotterdam Rules is the “volume contracts”. Article 1(2) defines “volume contract” as “a contract of carriage that provides for the carriage of a specified quantity of goods in a series of shipments during an agreed period of time. The specification of the quantity may include a minimum, a maximum or a certain range”. Many small shipments can easily meet this definition.

It is also possible to incorporate the

Rotterdam Rules into a charter party by means of a clause paramount. Further the Rotterdam Rules apply to all international “contracts of carriage” if any one of the following is in a “Contracting State”: place of receipt, port of loading, port of discharge or place of delivery. The Rules apply whether a bill is issued or not, which means that many short sea and waybill movements previously outside the scope of the Hague-Visby will be compulsorily subject to Rotterdam Rules now.

It should not be forgotten that the Rotterdam Rules were developed with liner shipping and multimodal transport “contracts of carriage” with a sea leg particularly in mind. For this reason, some commentators have called Rotterdam a “wet multimodal” or “maritime plus” convention. Additionally, in certain circumstances the Rotterdam Rules will compulsorily apply to bulk shipping. Where a voyage charterer of a ship claims against the ship-owner for cargo loss or damage, the Rotterdam Rules will not be compulsorily applicable. If, however, the consignee under a charter party bill (for example a CFR/ CIF buyer*) brings a claim against the ship-owner the Rotterdam Rules will apply.

The Rotterdam Rules will apply to any inland legs except where unimodal convention applies compulsorily. For example, if a container is discharged at Hamburg and carried by road to Berlin, the Rotterdam Rules will apply to the Hamburg to Berlin leg because CMR does not govern domestic movements.

Under the Rotterdam Rules, the

carrier's obligation is to exercise due diligence to make the vessel seaworthy not only before and on commencement of the voyage, but also during the whole voyage. This is more stringent than under the Hague Rules.

Another point to be noted is that the Rotterdam Rules abolish the negligent navigation/ management defence that used to be in Article IV, Rule 2(a) of Hague and Hague-Visby. The abolition of this defence will mean that carriers and their Protecting & Indemnity (P&I) Clubs will almost certainly end up paying more claims to cargo interests than has historically been the case. This may lead to an increase of P&I insurance premiums.

The Rules provide that the carrier can limit its liability to 3 SDRs per kilo of the goods lost/damaged or 875 SDRs per package, whichever is the higher. Under Hague-Visby, the applicable figures were 2 SDRs per kilo or 666.67 SDRs per package, whichever was the higher. Another point here is that no proceedings can be issued after 2 years from the date of the relevant breach under the Rules. There is, however, a longer time bar for "indemnity" claims.

In certain circumstances the Rotterdam Rules impose upon carriers an obligation to verify the identity of the party holding the bill before the cargo can be released.

One important point in the Rotterdam Rules is that they will prevent carriers from recovering general average contributions from cargo interests if the incident was caused by negligent navigation/management of the vessel.

The Rotterdam Rules provide that e-bills are "functionally equivalent" to paper bills. The industry will, however, need to develop IT systems with robust security procedures before e-bills can really take off.

Conclusion

So, in reality, the Rotterdam Rules are hugely ambitious in scope. They are modern and not "old-fashioned" and are likely to go down well in the industry. There have been a lot of discussions on them but such discussions will continue till issues are placed on the anvil or taken into the courts. The Hague Visby Rules have taken the international trade and commercial transactions through the ups and downs of the twentieth century. Ship-owners, bankers, exporters, importers have relied a lot upon the agreed interpretations of these rules for the past ninety years or so. So, there is a little reluctance to accept such a massive transformation of time-tested rules. But with technological developments like internet, e-commerce and paperless trade tearing through the traditional fabric of society, there is a need to update and revamp the classical situation into a modern entity fit for the coming century. And it is the Rotterdam Rules that are here to meet modernization head on. While India has always been slow to adapt, it is imperative to take a bold stance.

Notes

CFR - Cost and Freight

CIF - Cost, Insurance and Freight.

Introduction

The global financial crisis, the Dubai world debt standstill and the sovereign debt problem of some of the European countries, mainly Greece towards the end of 2009 and beginning of 2010, led to greater volatility in the international markets. The domestic financial markets during 2009-10 were also characterized by certain major trends. They are the persistent surplus liquidity conditions kept the money market interest rates

low, the medium to long-term yield on government bonds increased. The credit market conditions improved with a turnaround in the demand for credit from the corporate sector as well as better transmission of policy rates to the deposit and lending rates, though with lags. Asset prices, in terms of stock prices as well as residential housing prices, exhibited significant rise. The upward pressure on the exchange rate continued, reflecting the revival in capital inflows (Table 1).

Table 1: Domestic Financial Markets at a Glance

Year/ Month	Call Money		Govt. Securities Market		Foreign Exchange Market			Liquidity		Stock Markets			
	Daily Turn- over (Rs. Crore)	Call Rates* (%)	Daily Turn- over**** (Rs. Crore)	10-year Yield*** (Rs. / US\$)	Daily Inter- Bank Turn- over (US\$ mn)	Ex- change Rate*** (Rs./ US\$)	RBI's net FC purchase (+)/sale (-)	MSS Outstand- ing# (Rs. Crore)	Daily LAF Reverse Repo (Rs. Crore)	Daily BSE Turn- over	Daily NSE Turn- over (Rs. Crore)	BSE Sensex**	CNX Nifty**
2008-09	22,436	7.06	10,879	7.54	34,712	45.92	-34,922@	1,48,889	2,885	6,275	11,325	16,569	4,897
2009-10	15,924	3.24	13,936	7.23	29,447	44.95	-2,635@	23,014	1,00,015	5,651	16,959	15,585	4,658
9-Apr	21,820	3.28	15,997	6.55	27,796	50.06	-2,487	75,146	1,01,561	5,232	15,688	10,911	3,360
9-May	19,037	3.17	14,585	6.41	32,227	48.53	-1,437	45,955	1,25,728	6,427	19,128	13,046	3,958
9-Jun	17,921	3.21	14,575	6.83	32,431	47.77	1,044	27,140	1,23,400	7,236	21,928	14,782	4,436
9-Jul	14,394	3.21	17,739	7.01	30,638	48.48	-55	22,159	1,30,891	6,043	18,528	14,635	4,343
9-Aug	15,137	3.22	9,699	7.18	27,306	48.34	181	19,804	1,28,275	5,825	17,379	15,415	4,571
9-Sep	16,118	3.31	16,988	7.25	27,824	48.44	80	18,773	1,21,083	6,211	18,253	16,338	4,859
9-Oct	15,776	3.17	12,567	7.33	28,402	46.72	75	18,773	1,01,675	5,700	18,148	16,826	4,994
9-Nov	13,516	3.19	17,281	7.33	27,599	46.57	-36	18,773	1,01,719	5,257	16,224	16,684	4,954
9-Dec	13,302	3.24	14,110	7.57	27,431	46.63		18,773	68,522	4,671	13,948	1,709	5,100
10-Jan	12,822	3.23	12,614	7.62	32,819	45.97		9,944	81,027	6,162	17,813	17,260	5,156
10-Feb	13,618	3.17	12,535	7.79	33,745	46.33		7,737	78,661	4,125	12,257	16,184	4,840
10-Mar	17,624	3.51	8,544	7.94		45.5		3,987	37,640	4,751	13,631	17,303	5,178

* Average of daily weighted call money borrowing rates

** Average of daily closing indices

*** Average of daily closing rates

**** Average of daily outright turnover in Central Governments dated securities

LAF Liquidity Adjustment Facility

NSE National Stock Exchange of India Limited

Average of weekly outstanding MSS.

MSS Market Stabilization Scheme

BSE Bombay Stock Exchange Limited

FC Foreign Currency

@ Cumulative for the financial year

Equity Market

In the equity market, mobilization of funds through primary issues has seen a 13% fall in March over the previous month and the total amount stood at Rs 11,631 crore compared to Rs 13,328 crore recorded in February. In the secondary market, the spurt in investment has been the main driver for the recent rise in stock market. This has been also supported by the surge in the manufacturing and services activity in the month of February and rise in exports for the third consecutive month in January. During the month as a whole for March, 2010, the BSE Sensex added 1,098 points or 6.68% to 17,528 on 31 March 2010 over 26 February 2010. The NSE Nifty gained 327 points or 6.64% to 5,249 during the same period.

- During the financial year 2009-10, all sectoral indices recorded growth and most of them outperformed the key benchmark indices over the previous financial year on the back of recovery in the global and domestic economies. The sectoral indices of BSE recorded tremendous growth during March reflecting the positive impact of Union Budget. Metal index was the major performer during March 2010 followed by Healthcare Index and Bankex. Metal index gained after the decision to pass on the excise duty hike. Pharma stocks galloped due to the passage of US healthcare bill and USFDA approvals. PSU group was the only underperformer and shed 1.9%

during the period of one month due to interest rate hike.

- During the financial year 2009-10 there was a marked improvement in the aggregate secondary market turnover both on NSE and BSE. The average daily turnover on NSE and BSE increased respectively by 57% and 29%, to Rs 11,325 crore and Rs 4,383 crore during the year. During the month of March, the average daily turnover in NSE increased by 11% to Rs 13,631 crore from Rs 12,257 crore recorded in February. Similarly, in BSE also the average daily turnover was augmented by 15% to Rs 4,751 crore from Rs 4,125 crore during the same period. In addition, the market capitalization of both the exchanges almost doubled during March 2009 compared to March 2008 (Table 2).
- Number of registered FIIs during March-end saw an increase over February-end and increased to 1,713 from 1,708 while, registered sub-accounts decelerated to 5,378 from 5,430 during the same period. According to Association of Mutual Funds in India, the average assets under management shed by 4% to Rs 7,47,527 crore as of end March over February. But, compared to the corresponding month previous year the average AUM increased by 52% in March. The daily investment in FIIs and mutual funds witnessed contradictory trends during March, as FIIs were buyers of equities during the whole month but mutual funds were net sellers for most part of the month.

Table 2: Market Turnover (Amount in Rs. Crore)

Year/ Month	BSE				NSE			
	Total Turnover	Average Daily Turnover	Market Capitaliza- tion*	P/E Ratio (Sensex based 30 scrips)	Total Turnover	Average Daily Turnover	Market Capitaliza- tion*	P/E Ratio (NSE Nifty)
2008-09	1100074	4383	3086076	13.2	2752023	11325	2896194	16.8
2009-10	1378809	5637	6164157	20.1	4138023	17767	5755305	20.8
9-Mar	69789	3489	3086076	12.7	202799	10140	2896194	13.3
10-Feb	82510	4125	5903514	20	245143	12257	5755305	20.7
10-Mar	99779	4751	6164157	21.1	286245	13631	6009173	22

* At the end of the period

Source: NSE and BSE websites

- BSE's equity derivative segment continued on a downward path during the month and daily average volumes in this segment increased to Rs 3.5 lakh during the month, down from Rs 56 lakh recorded in the previous month. For the financial year 2009-10, the aggregate derivative turnover was Rs. 241 Crore comparatively low from Rs. 12,268 Crore recorded in 2008-09. While on NSE, the aggregate as well as average derivatives turnover in terms of value increased by 60% during the fiscal 2009-10 over 2008-09 and the derivative to equity market ratio also improved to 4.27 from 4.01 over the same period. During the month of March the average daily turnover on the derivative segment of NSE, decreased by 5% to Rs 74,674 crore over the previous month.
- The share of index futures in the total F&O segment of NSE recorded steady upward trend during the initial part of the financial year 2009-10 but later witnessed a declining trend. Similarly, the stock futures also witnessed a notable improvement

during the beginning of the fiscal but later they became stable. On the other hand, the share of stock options was almost steady during the whole financial year. The marked improvement was recorded by index options and their share in the total F&O segment of NSE increased from 39.7% in April 2009 to 53.8% in March 2010.

- FIIs exposure to equity derivatives segment of NSE remained flat during the month of March at around 19.2%. But over April 2009, the ratio improved notably from 16.8%. There was a significant rise in total turnover by 57% to Rs.3,01,207 crore in March 2010 from Rs.1,92,172 crore. The number of contracts traded in FII's derivatives segment during the month decreased by 7% over the previous month but over April 2009 it increased by 10%.
- The stock market activity and volatility bore a close relationship during the financial year 2009-10. India VIX or Volatility Index, constructed by the NSE, which measures the immediate expected

volatility, touched a low of 17.05 on 25 March following the stable stock market activity and a high of 83.71 on 22 May due to relative uncertainty on the back of election results.

Corporate Debt Market

In the corporate bond market during March, there was an increase in the participation from banks/financial institutions (FIs) contributing 35% of the total mobilization compared to 13% in February. The banks/ FIs made 6 issues raising an amount of Rs 1,850 crore during the month. The non-banking financial corporations (NBFCs) also increased their share of total mobilization from 14% to 27%, but the total mobilized amount stood lower at Rs 1,400 crore compared to Rs 1,550 crore garnered in February. The central undertakings accounted for 38% of total amount mobilized during March with 4 issues for an aggregate amount of Rs 1,995 crore. The banks/FIs issued bonds, non-convertible debentures (NCDs), perpetual and upper tier-II bonds while NBFCs favoured NCDs and Separate Trading of Registered Interest and Principal Securities (STRIPS). The central undertakings

issued one bond, two NCDs and one commercial paper. The coupon rate ranged from 6.10-9.65% for maturities between two year and 16 years (Table 3).

- There was a huge increase in the secondary market transactions in commercial bonds during the month compared to the previous month. According to the data published by SEBI, the aggregate turnover in the corporate bond segment of BSE, NSE and FIMMDA aggregated Rs 67,125 crore and the daily average volume was up by 69% to Rs 3,356 crore during March. The highest rise was witnessed in NSE, where the turnover increased to Rs 17,820 crore in March from Rs 9,747 crore in February.

Government Securities Market

The Government Securities Market was affected by RBI's action of raising repo and reverse-repo rates by 0.25 percentage points to 5% and 3.50%, respectively in April 20, 2010. As this action followed closely the CRR hike, there was a general upward pressure on yields of government securities.

- In the case of state development loans (SDLs), the cut-off yield to

Table 3: Details of Commercial Bond Issues During March

Institutional Category	No. of Issues	Volume in Rs. Crore	Range of Coupon Rates (%)	Range of Maturity (Year and months)
FIs/Banks	6	1850	6.10-9.65	3y - 10y
NBFCs	4	1400	7.05-8.90	2y3m - 15y
Central Undertaking	4	1995	8.95-9.38	10y - 16y
Total for March 2010	14	5245	6.10-9.65	2y3m - 16y
Total for February 2010	13	11445	6.00-10.00	1y6m - 20y

Source: Various Media Sources

maturity for March inched up to 8.47% from 8.46% of February and weighted average yield also moved up to 8.46% in March from that of 8.43% of February. Bid-cover ratio at 3.28 in March against previous months 2.96 showed higher interest of investors. This could also be partly attributed to lower auction amounts and complete absence of central government issues in primary market. In the secondary market, subdued tendency was witnessed in SDLs also. The traded amount came down to Rs 5,743 crore in March against Rs 6,786 crore in February. YTM in March steeply rose to 8.31% from 8.11% of February.

- In the primary market for treasury bills (TBs), preference of investors improved for all categories of TBs in March as compared to the previous month. Cut-off price and weighted average yields for 91-day and 364-day TBs in March went up.
- In the secondary market, caused by interest rate uncertainties, total traded volume of the central government securities plummeted to Rs 1,09,921 crore in March against Rs 1,48,853 crore of February. 10 year benchmark security 6.35% 2020 and the other six year security 7.02% 2016 were the two most traded securities accounting for about three fourths of the total trades during the month, amounting to Rs 81,353 crore.

Treasury Bills (TBs)

The secondary market trading for TBs in March marginally improved by

Rs 851 crore taking the total volume to Rs 26,755 crore against Rs 25,903 crore of February. The traded volume of 182 and 364-day TBs has however plunged by more than 9% and 27%, respectively. The shortest maturity, 91-day TBs, showed higher trade volumes. The total trade improved by Rs 2,211 crore, in March to Rs 21,122 crore over Rs 18,911 crore in February. Yield on the 91-day TBs increased and reached 4.15% against 3.78% in February. Yields in other maturities also firmed up.

- As per the data published by the Clearing Corporation of India Limited (CCIL) the inter-category transactions for NDS reported trades, the share of foreign banks sustained their trend of dominating in the total trades but their contribution has seen a marginal dip from January, 2010. During March, the share of trades by public sector banks and private sector banks decreased over the previous month but primary dealers share surged to 18.77% against 7.94% recorded in February. However, mutual funds share also deteriorated during February and March (Table 4).

Money Market

In the money market, the weighted average call rates ruled in the range of 2.53-3.79% during March. The call money rates were more volatile and this was reflected in standard deviation increasing from 0.21 in February to 0.33 in March. The monthly weighted average rate of collateralized borrowing and lending obligations (CBLO)

Table 4: Market Share of Inter-Category Wise NDS Reported Outright Trade of Central Government (Buy side)

Buyer Category	9-Apr	9-May	9-Jun	9-Jul	9-Aug	9-Sep	9-Oct	9-Nov	9-Dec	10-Jan	10-Feb	10-Mar
Foreign Banks	27.71	29.28	40.47	37.02	33.81	32.91	45.76	34.85	33.88	52.09	46.75	41.16
Private Sector Banks	12.71	13	15.86	19.63	23.71	23.39	16.31	14.83	25.1	20.2	26.66	21.42
Public Sector Banks	23	22.81	14.8	21.85	17.29	20.96	9.76	16.77	13.8	7.69	9.35	8.61
Mutua Funds	8.95	13.25	14.74	7.46	11.03	8.38	16.7	11.98	7.99	5.75	2.41	4.3
Primary Dealers	7.54	7.69	9.74	9.97	6.59	9.83	9.17	13.79	10.88	8.1	7.94	18.77
Others	17.37	12.18	2.14	1.79	3.82	0.85	0.58	3.45	5.37	3.76	1.72	3.54
Ins. Cos.	1.21	0.48	0.72	0.89	2.26	2.73	0.28	2.96	1.57	1.08	3.15	0.67
Co-op Banks	1.51	1.31	1.53	1.39	1.49	0.93	1.44	1.37	1.4	1.33	2.02	1.53

Source: Rakshitra, Various Issues

also showed a similar trend, and the weighted average rates ruled higher at 3.02% in March compared to 2.91% in February. Similarly, the daily average notice money rate and market repo rate also shot up and the weighted average rates stood at 3.49% and 3.13% during March.

- The daily average volume of call money transactions improved significantly by 34% to Rs 7,699 crore in March from Rs 5,741 crore in February. The daily average notice money almost doubled from Rs 1,117 crore in February to Rs 2,364 crore in March. The predominant volumes coming from major collateralized instruments, viz., CBLO and market repo also showed an increasing trend and the volumes increased by 3.8% and 1.2%, respectively during the period of one month- the volumes increased respectively from Rs 63,185 crore to Rs 65,613 crore and from Rs 18,961 crore to Rs 19,194 crore. There was some rise in the turnover of term money market and the

average daily turnover stood at Rs 246 crore in March. Overall, in all segments of money market, more activity was seen in March (Table 5).

- In the RBI's LAF window, the daily average amount absorbed through reverse repo in March decreased by 39% to Rs 32,000 crore from around Rs 81,000 crore in the previous month partly following the increase in CRR effective from February and the resumption of the credit expansion. The outstanding amount at the end of March stood at Rs 990 crore comparatively low from the previous month indicating the shortage of year-end liquidity. The Reserve Bank's OMO continued to show some net sales and in March it stood at Rs 2 crore.

Foreign Exchange Market

As far as foreign exchange market has been concerned, during the month of March, dollar appreciated against the major currencies like Euro, Yen and

Table 5: Money Market Activity (Volume and Rates)

Instruments	10-Mar			10-Feb		
	Daily Average Volume (Rs. Crore)	Monthly Weighted Average Rate (%)	Range of Weighted Average Daily Rate (%)	Daily Average Volume (Rs. Core)	Monthly Weighted Average Rate (%)	Range of Weighted Average Daily Rate (%)
Call Money	7699	3.47	2.53-3.79	5741	3.22	2.56-3.28
Notice Money	2364	3.49	2.43-3.77	1114	3.25	2.41-3.30
Term Money*	246	NA	3.10-7.50	41	NA	3.25-6.25
CBLO	65613	3.02	1.55-3.69	63185	2.91	2.32-3.28
Market Repo	19194	3.13	1.75-3.59	18961	2.95	1.50-3.15

* Range of rates during the month

Source: www.rbi.org and www.ccilindia.com

Pound but depreciated against Rupee and most of the Asian currencies as the Federal Reserve pledged to keep its benchmark interest rate near zero for an extended period to help sustain a recovery in the world's largest economy.

- The FIIs were steady buyers in the equity market and bought around US \$4.37 billion net during March, the highest ever during the financial year 2009-10. The equity market also posted a strong growth, with the BSE Sensex closing at 17,528, an increase of 6.7% over the previous month. Due to the recovery in the economy, the US dollar index was up, adding 100 basis points during the month over the previous month. The strengthening of rupee against dollar and other major currencies was primarily due to huge inflows from FIIs and strong domestic equity markets which helped the rupee to appreciate around 2.41% during the month over the previous month (Table 6).
- Following the introduction of new currency pairs in the currency futures

segment in the exchanges from February, and the sharp appreciation of rupee against dollar and other major currencies, the currency futures market turnover improved during March. Compared to March 2009, the total turnover as well as average daily turnover of both MCX-SX and NSE together has seen more than six-fold rise during March 2010. The number of contracts traded in these exchanges also jumped to more than seven times during the same period.

- The aggregate average daily turnover increased by 8% to Rs 32,332 crore in March over February. The average daily turnover in the MCX-SX and NSE stood at Rs 18,167 crore and Rs 14,165 crore, respectively, aggregating Rs 32,332 crore. The total number of contracts in exchange traded currency futures segment soared by 18% and the notional value augmented by 14% to Rs 6, 46,637 crore, compared to the previous month. However, the open interest position at the end of the month decreased by 28% over February-end.

Table 6: Foreign Exchange Market: Select Indicators

Month	Rs/\$ Reference rate (Last Friday of the month)	Appreciation (+)/ Depreciation (-) of Rs. /\$(in %)	FII Flows (US \$ million)	Net purchases by RBI (US \$ million)	BSE Sensex (month-end closing)	US Dollar Index
9-Apr	50.2	1.45	1790	(-)1071	11403	84.7
9-May	47.3	5.8	3577	(+)131	14625	79.43
9-Jun	47.9	-1.2	1059	(+)745	14494	80.4
9-Jul	48.2	-0.6	2727	(+)800	15670	78.45
9-Aug	48.9	-1.5	945	(+)619	15667	78.22
9-Sep	48.05	1.75	4263	(+)539	17127	76.86
9-Oct	46.96	2.3	3428	(+)464	15896	76.47
9-Nov	46.78	1.03	1330	(+)500	16926	74.93
9-Dec	46.73	-0.53	1873	(+)525	17465	78.22
10-Jan	46.37	0.78	1849	(+)525	16358	79.65
10-Feb	46.37	0.3	946	(+)525	16430	80.44
10-Mar	45.34	2.41	6465	Not Available	17528	81.29

Source: RBI (www.rbi.org.in), BSE (www.bseindia.com), SEBI (www.sebi.gov.in)

- Among the traded currencies in the currency futures segment on both the exchanges, the rupee-dollar futures attracted more investors and accounted for 88% of the total trading followed by rupee-yen (6%), rupee-euro (4%) and rupee-pound (2%) during the month (Table 7).

Conclusion

The year 2009-10 ended on a very promising note with the economy picking up and net capital inflows

in particular of foreign institutional investors (FIIs) returning to normal levels and even increasing. The Union Budget 2010-11 appears to have strengthened investors' confidence regarding the better growth prospects. For domestic investors the financial year proved one of the best in recent years with market capitalization increasing by over 100% during the period of one year. The equity markets showed buoyancy though remained extremely volatile throughout this period. The key

**Table 7: Trading in Exchange Traded Currency Futures in March 2010
(Amount in Rs. Crore)**

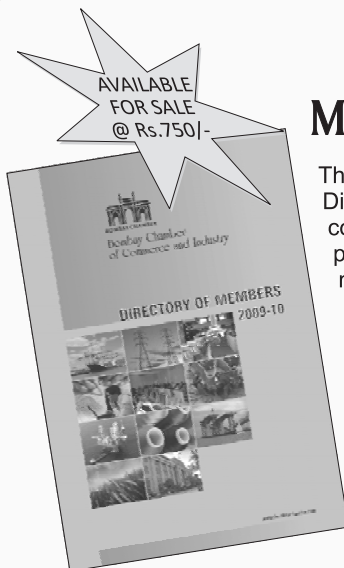
Trading Exchanges	No. of Contracts	Notional Value					% share to total	Average daily Turnover	Open Interest*
		USDINR	JPYINR	GBPINR	EURINR	Total			
MCX-SX	76499457	307083	37054	13173	6035	363345	56.19	18167	423314
NSE	61132852	264241	727	861	17462	283292	43.81	14165	427873
Total	137632309	571324	37782	14034	23497	646637	100	32332	851187

*at the month-end

Source: BSE, NSE, MCX-SX websites.

benchmark indices, BSE Sensex and NSE Nifty ended with 81% and 74% growth, respectively over the financial year 2008-09. Even, the shares of small and mid-cap companies outperformed the key indices during the same period due to expectation of higher returns and revival in investor confidence. FIIs invested more than \$23 billion in equities. The financial year 2009-10 will also be remembered for the BSE Sensex

hitting the upper circuit breaker twice within two minutes in a single day, for the first time in its history. The cash market turnover and the turnover in the derivatives market also remained buoyant during the fiscal irrespective of the volatility in the underlying equity markets. Thus all segments of financial markets witnessed a marked improvement throughout the financial year 2009-10.



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Select Economic Indicators

Economic Growth

	Q4 of 2009-10	Q3 of 2009-10	Q2 of 2009-10	Q1 of 2009-10	Q4 of 2008-09	Q3 of 2008-09	Q2 of 2008-09	Q1 of 2008-09
Gross Domestic Product at Constant(2004-05) Prices								
GDP at Factor Cost (Rs. in Crore)	1205119	1163000	1055013	1040949	1110041	1091677	971371	981887
GDP at 2004-05 Market Prices (Rs. Crore)	1339454	1242858	1125257	1099653	1204348	1158561	1057253	1045200
Growth Rate (Per cent)								
GDP at Factor Cost	8.6	6.5	8.6	6	5.8	6.1	7.5	7.8
GDP at 2004-05 Market Prices	100	100	100	100	100	100	100	100
Private Final Consumption Expenditure	51.1	60.4	60.1	59.9	55.4	61.5	60.1	61.3
Government Final Consumption Expenditure	11.2	13.1	11.3	11.5	12.2	13.7	9.2	10.5
Gross Fixed Capital Formation	34.6	31.9	33.2	31.2	32.7	31.5	34.8	33
Change in Stocks	1.3	1.3	1.4	1.3	1.3	1.3	1.4	1.4
Valuables	1.2	1.4	1.5	1.2	1.2	1.5	1.4	1.1
Exports	22.3	19.7	21.6	21.3	21.7	22.9	27.3	26.7
Less Imports	21.9	26.5	30.4	27.8	25.3	30.1	36.1	32
Discrepancies	0.2	-1.3	1.2	1.4	0.8	-2.2	1.8	-2.1

Source: Central Statistical Organisation, Government of India

Agriculture & Industrial Production

Sector-Wise Percentage Change Over Previous Year(at 2004-05 Constant Prices)								
Agriculture, Forestry & Fishing	0.7	-1.8	0.9	1.9	3.3	-1.4	2.4	3.2
Industry								
Mining & Quarrying	14	9.6	10.1	8.2	-0.3	2.7	1.6	2.6
Manufacturing	16.3	13.8	9.1	3.8	0.6	1.3	5.5	5.9
Electricity, Gas & Water Supply	7.1	4.7	7.7	6.6	4.1	4	4.3	3.3
Services								
Construction	8.7	8.1	4.7	4.6	5.7	1.1	7.2	9.8
Trade, Hostels, Transport & Communication	12.4	10.2	8.5	5.5	5.7	4.4	10	10.8
Financing, Institutions, Real Estates & Business Services	7.9	7.9	11.5	11.8	12.3	10.2	8.5	9.1
Community, Social & Personal Services	1.6	0.8	14	7.6	8.8	28.7	10.4	8.7

Source: Central Statistical Organisation, Government of India

Performance of Core Industries								
Sector-Wise Growth Rate in Production (%) (Weight in IIP : 26.68%)								
Overall Index	7.1	5.4	4.76	4.42	-	1.28	3.77	4.49
Crude Oil Production	5.7	-0.87	-1.17	-1.13	-5.5	0	-1.48	-0.14
Petroleum Refinery Products	1.14	4.3	-2.64	-4.2	0.84	2.3	5.7	3.4
Coal	7.4	3.98	9.65	12.65	7.3	10.51	7.52	8.43
Electricity	7.3	4.9	7.57	6.06	2.9	2.87	3.17	1.96
Cement Production	9.37	8.44	12.6	12.14	8.9	8.84	5.17	5.8
Finished (CARBON) Steel Production	8.47	7.94	1.7	1.7	1.27	-6.04	3.97	7.97

Compiled by Bombay Chamber Trust: Source of Data Ministries/Departments/Organisation(s)

External Sector

Exports and Imports(in US \$ million)

Item	2008-09	2009-10(P)	Mar-09	March 2010(P)	% change in 2009-10	% Change in March,2010
Exports	185295	176574	12916	19908	-4.7	54.1
Imports	303696	278681	16597	27733	-8.2	67.1
Oil Imports	91316	85473	4175	7730	-8.7	85.2
Non-Oil Imports	212380	193208	12422	20003	-8	61
Trade Balance	-118400	-102107	-3680	-7825	-	-

Source: Provisional Data as per the Press Note of the Ministry of Commerce and Industry

Foreign Exchange Reserves(Excluding Gold, SDRs and Reserve Tranche Position in IMF)

At the end of	Amount		Variation	
	Rs. Crore	\$ Million	Rs. Crore	\$ Million
March, 2006	647327	145108	54206	9537
March, 2007	836597	191924	189270	46816
March, 2008	1196023	299230	359426	107306
March, 2009	1231340	241676	35317	-57554
March, 2010	1150778	254935	-80562	13259
2010-11	(over last month)			
April, 2010	1133322	255023	-17456	88

Source: Reserve Bank of India

Rupees Per Unit of Foreign Currency

	US Dollar	Pound Sterling	Japanese Yen	Euro
March, 2007	44.026	85.6763	0.3754	58.2684
March, 2008	40.3561	80.8054	0.4009	62.6272
March, 2009	51.2287	72.9041	0.5251	66.9207
March, 2010	45.4965	68.436	0.5018	61.7653
2010-11				
April, 2010	44.4995	68.2384	0.4763	59.6648

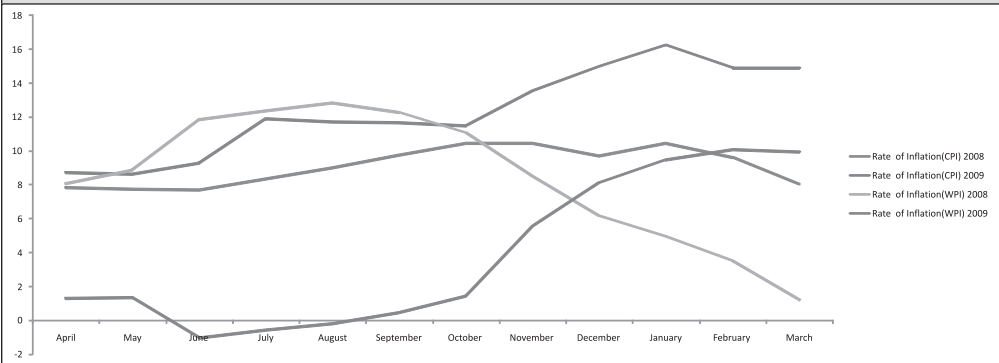
Source:@ FEDAI Rates

Prices

Current Price Situation Based on Monthly Wholesale Price Index (Base: 1993-94)

Items/Groups	Weight(%)	Percent Variation during					
		Cumulative Change from March		Inflation (Year-on-Year)		Inflation (Average of last 12 Months)	
		In April		In April		In April	
		2009-10	2010-11	2009-10	2010-11	2009-10	2010-11
All Commodities	100	1.45	1.16	1.31	9.59	7.81	4.43
Primary Articles	22.02	2.5	2.3	6.62	13.88	9.85	11.26
Fuel and Power Group	14.23	0.75	0.61	-5.69	12.55	6.34	-0.94
Manufactured Products	63.75	1.2	0.79	1.75	6.7	7.54	3.59

Point-to-Point Rate of Growth



Source: For WPI, Office of the Economic Advisor, Ministry of Commerce, For CPI, Labour Bureau, GoI.

World Prices of Select Commodities							
Commodity	Unit	January-December		January-March	April	Y-o-Y variation in prices(%)	
		2008	2009	2010		10, March	10, April
Energy							
Coal, Australia	\$/mt	65.7	127.5	95.2	100.2	54.71	57.57
Crude Oil, avg,spot	\$/bbl	71.1	97	77.1	84.2	70	67.43
Crude Oil, Brent	\$/bbl	72.7	97.6	76.7	85	69.25	67.13
Crude Oil, Dubai	\$/bbl	68.4	93.8	75.9	83.1	69.76	65.59
Natural Gas, US	\$/mmbtu	7	8.9	5.1	4	8.66	14.46
Agriculture							
Coffee, robusta	c/kg	190.9	232.1	150.8	157.7	-11.87	-5.31
Tea, auctions (3), average	c/kg	203.6	242.4	279	260.7	19.74	3.89
Coconut Oil	\$/mt	918.9	1223.7	834.3	939	47.36	25.7
Groundnut Oil	\$/mt	1352.1	2130.9	1358.7	1361	13.67	14.66
Palm Oil	\$/mt	780.3	948.4	807.7	830	39.13	18.23
Palm Kernel Oil	\$/mt	888.5	1128.6	922.3	1020	69.51	42.26
Soybean Meal	\$/mt	306.9	427.5	369.3	340	-4.36	-12.37
Soybean Oil	\$/mt	881.4	1257.5	917.3	903	25.86	12.73
Maize	\$/mt	163.7	223	162.7	157.1	-3.35	-6.78
Rice, Thailand, 25 or 5%	\$/mt	306.5	646.6	536.4	475.7	-14.11	-13.56
Wheat, US, HRW	\$/mt	255.2	326	195.4	192.9	-17.26	-17.64
Wheat US SRW	\$/mt	238.6	275.1	193.5	187.8	3.4	2.82
Oranges	\$/mt	957.8	1108	989.5	949.6	5.99	4.95
Sugar, World	c/kg	22.2	28.2	51.8	36.4	39.25	20.81
Raw Materials							
Logs, Malaysia	\$/cum	268	292.3	253.5	246	-13.5	-13.1
Plywood	c/sheets	647.3	647.8	557.2	564.7	-2.38	-0.54
Wood Pulp	\$/mt	767	821.1	780.9	825	51.34	53.12
Cotton A Index	c/kg	139.5	157.8	178.8	193.6	66.6	54.61
Rubber, US	c/kg	248	284.1	345.2	398.8	120.71	117.17
Rubber, Singapore	c/kg	229	261	318.6	394.8	133.34	143.14
Fertilizers							
DAP	\$/mt	432.5	967.2	464.8	466	29.55	38.94
Phosphate Rock	\$/mt	70.9	345.6	102.1	125	-33.33	-0.4
Potassium Chloride	\$/mt	200.2	570.1	334	314.4	-64.08	-57.8
Urea, E. Europe, Bulk	\$/mt	309.4	492.7	281.1	252.7	5.04	3.06
Metals and Minerals							
Aluminium	\$/mt	2638.2	2572.8	2163.2	2316.7	65.11	63.05
Copper	\$/mt	7118.2	6955.9	7232.4	7745.1	99.02	75.76
Gold	\$/toz	696.7	871.7	1108.9	1148.7	20.46	29.04
Iron Ore	c/dmtu	82.9	135.9	101	176.5	-28.2	25.53
Lead	c/kg	258	209.1	222.1	226.5	75.32	63.75
Nickel	\$/mt	37230	21111	19958.7	26031	131.65	133.13
Silver	c/toz	1341.3	1499.9	1692.6	1816.8	30.8	45.11
Steel cr Coil Sheet	\$/mt	650	965.6	725	812.5	-13.89	16.07
Steel hr Couil Sheet	\$/mt	550	883.3	625	712.5	-15.63	18.75
Tin	c/kg	1453.7	1851	1720.9	1868.4	64.38	59.1
Zinc	c/kg	324.2	187.5	228.9	236.7	86.98	71.64

Source: World bank-The Pink Sheet

Government Accounts

Trends in Central Government Finances: April-February 2009-10

	Budget Estimates	April-February		Col. 3	Col. 4	% Change over	
		2009-10	2008-09	2009-10	as % of	as % of	preceeding year
		(Rs. Crore)		2008-09 (BE)	2009-10 (BE)	2008-09	
1. Revenue Receipts	6,14,497	4,37,397	4,58,732	72.5	74.7	0.2	4.9
Gross Tax Revenue	6,41,079	4,98,715	4,90,694	72.5	76.5	7	-1.6
Tax (net to Centre)	4,74,218	3,56,390	3,58,641	70.3	75.6	1.1	0.6
Non Tax	1,40,279	81,007	1,00,091	84.6	71.4	-3.6	23.6
2. Capital Receipts	4,06,341	3,10,927	3,99,573	210.2	98.3	110.4	28.5
of which:							
Recovery of Loans	4,225	3,751	5,886	83.4	139.3	-17.4	56.9
Other Receipts	1,120	43	12,786	0.4	1141.6		
Borrowings and other Liabilities	4,00,996	3,07,133	3,80,901	230.4	95	191.4	24
3. Total Receipts (1+2)	10,20,838	7,48,324	8,58,305	99.7	84.1	28.1	14.7
4. Non-Plan Expenditure (a) + (b)	6,95,689	5,15,747	6,01,198	101.6	86.4	24.9	16.6
(a) Revenue Account	6,18,834	4,82,062	5,57,414	107.5	90.1	39.5	15.6
of which:							
Interest Payments	2,25,511	1,65,799	1,77,257	86.9	78.6	14.9	6.9
Major Subsidies	1,05,579	1,17,222	1,09,660	176.2	103.9	107.3	-6.5
Pensions	34,980	27,741	41,727	111	119.3	31.9	50.4
(b) Capital Account	76,855	33,685	43,784	57	57	-50	30
5. Plan Expenditure (i) + (ii)	3,25,149	2,32,577	2,57,107	95.6	79.1	36	10.5
(i) Revenue Account	2,78,398	1,99,848	2,17,191	95.3	78	37.2	8.7
(ii) Capital Account	46,751	32,729	39,916	97.4	85.4	27.8	22
6. Total Expenditure (4) + (5) = (a) + (b)	10,20,838	7,48,324	8,58,305	99.7	84.1	28	14.7
(a) Revenue Expenditure	8,97,232	6,81,910	7,74,605	103.6	86.3	38.8	13.6
(b) Capital Expenditure	1,23,606	66,414	83,700	71.6	67.7	-28.4	26
7. Revenue Deficit	2,82,735	2,44,513	3,15,873	443.1	111.7	344.8	29.2
8. Fiscal Deficit	4,00,996	3,07,133	3,80,901	230.4	95	191.4	24
9. Primary Deficit	1,75,485	1,41,334	2,03,644	-245.7	116	-463	44.1

Source: Review of Union Government Accounts, February 2010, Ministry of Finance.

Money & Banking

Money Stock-Components and Sources (Rs. Crore)

Item	Outstanding as on		Growth Rates (in per cent)			
	2010		Financial Year so far		Year on Year	
	3/31/2010#	4/23/2010#	2009-10	2010-11	2009	2010
M3	55,79,567	56,22,402	2.6	0.8	21.4	14.7
Components (i+ii+iii+iv)						
(i) Currency with the Public	7,68,048	7,98,421	3.1	4	16.6	16.2
(ii) Demand Deposits with Banks	7,14,157	6,47,290	-3.9	-9.4	8.8	15.8
(iii) Time Deposits with Banks	40,93,577	41,73,133	3.5	1.9	24.5	14.5
(iv) "Other" Deposits with Reserve Bank	3,785	3,557	74.4	-6	57.1	-63.4
Sources (i+ii+iii+iv)						
(i) Net Bank Credit to Government(a+b)	16,68,258	16,92,435	4.8	1.4	48.9	26.4
(a) Reserve Bank	2,20,218	1,89,716				
(b) Other Banks	14,48,041	15,02,720	5.9	3.8	21.5	16.7
(ii) Bank credit to Commercial Sector(a+b)	34,83,253	34,55,002	-1.3	-0.8	17.5	15.9
(a) Reserve Bank	1,328	1,328	-	-	-	-
(b) Other Banks	34,81,925	34,53,674	-1.3	-0.8	17	16.3
(iii) Net Foreign Exchange Assets of Banking Sector*	12,75,039	12,61,708	-1.4	-1	1.5	-5.4
(iv) Government's Currency Liabilities to the Public	10,919	10,919	0.7	-	8.6	7.9
(v) Banking Sector's Net Non-Monetary Liabilities of which:	8,57,902	7,97,662	-13.7	-7	5.4	4.7
Net Non-Monetary Liabilities of RBI	3,10,301	2,93,640	-2.5	-5.4	74	-22.3

* Includes Investments in Foreign Currency Denominated Bonds Issued by IIFC(UK) since March 20, 2009.

Note: Government Balances as on March 31,2010 are before closure of accounts.

Select Scheduled Commercial Banks- Business in India

Items	Outstanding as on (Rs. Crore)		Percentage Variation			
	March 26, 2010	April 23, 2010	Financial Year so far		Year on Year	
	March 26,2010	April 23,2010	2010-11	2009-10	2009	2010
1. Bank Credit	3240399	3214742	-0.8	-1.1	18	17.1
Non-Food credit	3191909	3166763	-0.8	-1.2	18	17.1
2. Aggregate Deposits	4486574	4506747	0.4	2.2	22.4	15
3. Investments in Govt. and other Approved Securities	1166410	1437363	4	6	21.4	16.3

Policy Rates/Interest Rates(Per cent per annum)

Item/Week Ended	2009	2010
	20-Nov	20-Apr
Cash Reserve Ratio(per cent)*	5	6
Bank Rate	6	6
Repo Rate	4.75	5.25
Reserve Repo Rate	3.25	3.75
Prime Lending Rate**	11.00-12.00	11.00-12.01
Deposit Rate***	6.00-7.50	6.00-7.51
Call Money Rate(Low/High)****		
Borrowings	1.90-3.35	
Lendings	1.90-3.35	

* Cash Reserve Ratio relates to Scheduled Commercial Banks (excluding Regional Rural Banks).

** Prime Lending Rate Relates to Five Major Banks.

*** Deposits Rate Relates to Major Banks for Term Deposits of More than One Year Maturity.

**** Data Cover 90-95 Per Cent of Total Transactions Reported by Participants.

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