

macroTRACK

APRIL 2010 MONTHLY REPORT VOL. XII NO.4

HIGHLIGHTS

Petroleum Taxes

Petroleum Sector: taxes drive policies

A viable tax structure on crude and petroleum products is needed

Infrastructure

Strategies for infrastructure development

The Eleventh Five-Year Plan has stressed infrastructure development and inclusive growth

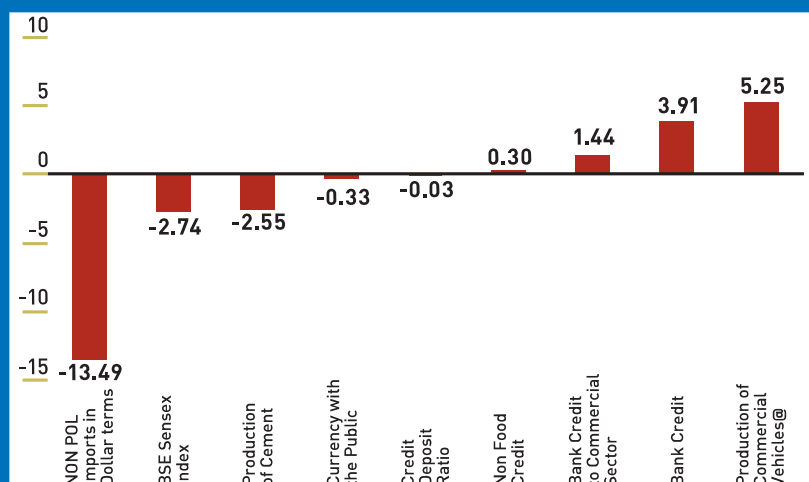
FDI

Calculating FDI in India

A 'Consolidated FDI Policy' was released on March 31, 2010

LEADING ECONOMIC INDICATORS: GROWTH RATE (%) OF CYCLICAL COMPONENTS FOR FEBRUARY 2010 OVER THE PREVIOUS MONTH

Good signs from bank credit



Petroleum Sector: taxes drive policies

Taxes, subsidies and prices of petro products are matters of endless debate in India. While the OMCs are concerned with commercial margins, the government - both at the Centre and states - place a priority on their revenues and of course the political cost of high consumer prices

AVIABLE tax structure on crude and petroleum products is obviously important from both growth and investment perspectives. Taxes on petroleum products make up a critical source of revenue for the governments of low income (now known as low middle income) countries like India. But there has got to be some balance between the tax rates as prices respond to taxes which go on to impact affordability of these products. Large increases of the retail prices of petroleum causes a cascading effect on other prices and the overall price levels in the economy.

Taxes, subsidies and prices of petro products are matters of endless debate in India. While the oil marketing companies (OMCs) are concerned more with subsidies and administered retail prices as they affect their commercial margins, the government - both at the Centre and states - place a priority on their revenues and of course the political cost of high consumer prices. The OMC lose substantially by selling kerosene (PDS) and LPG (domestic) lower than their cost. The total under-recovery on petrol, diesel, domestic LPG and PDS kerosene was Rs 40,000 crore in 2005-06, which went up to a whopping Rs 77,123 crore in 2007-08 and on to Rs 103,292 crore in 2008-09. This is mainly because of unprecedented rise of international crude prices, from \$ 52/barrel in 2005-06 to \$ 79.2/barrel in 2007-08 and \$ 82.4

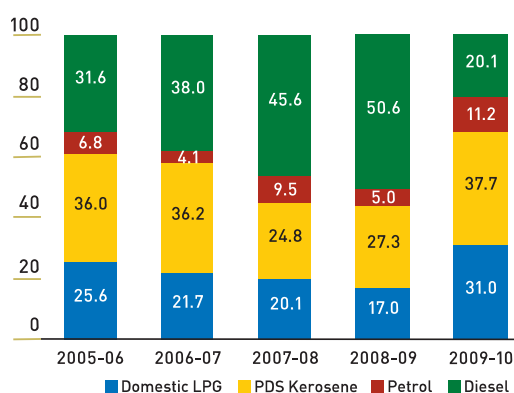
in 2008-09. Between the four, the share of domestic LPG and PDS kerosene in total under-recovery was about 60 per cent in 2005-06 and 2006-07; declining to about 45 per cent in 2007-08 and 2008-09 (Figure 1) before shooting up to 60 per cent in 2009-10. The share of petrol in total under-recovery is the lowest and has remained within the 4-11 per cent band between 2005-06 and 2009-10.

The government does not have a clear-cut policy prescription on sharing the burden of under-recovery. In 2004-05, it followed an ad hoc method where the upstream companies (e.g. ONGC) covered about one-third of the total under-recovered amount. Another third was supposed to have been cross-subsidised from profits from the sale of 'other' petroleum products, and the last third was to be covered by the OMCs. However, such burden sharing among all oil and gas companies and refiners did not help the OMCs close the gap between retail prices and the import parity pricing formula. Since 2005-06, the government started issuing bonds to the OMCs covering about one-third of the expected under-recoveries. The government issued oil bonds worth Rs 17,263 crore in 2005-06. In 2008-09, the amount issued through oil bonds went up to Rs 75,942 crore.

Though several steps have already been taken - e.g. scrapping of administrative pricing mechanisms (APM) - two important committees (Rangarajan, 2006 and Kirit Parikh, 2010) recommended alternative viable price structures. But in practice very little has changed. The OMCs persist with their demand for raising retail prices when international price of crude rises and greater budget allocation on petroleum subsidies.

It is quite surprising that despite higher retail prices of petrol and diesel in India, the oil companies are reporting huge under-recoveries on the sale of products. The answer to this contradiction lies in the structure of petroleum retail prices. The wide range of taxes and duties levied on crude and petroleum products on the one hand and the APM situation on the other ensures that high retail prices for consumers as well as losses

Figure 1: Composition of under recovery in product-wise (%)



for suppliers.

The Rangarajan Report of 2006 shows that the share of taxes in the retail price of petrol in Delhi is 55 per cent (38% central and 17% state taxes) and 34 per cent (23% central taxes and 11% state) for diesel. Of the total revenue contributed by the petroleum sector, about 60 per cent is presently going to the Centre and the rest is divided among the states.

The central government levies a range of taxes and surcharges on petroleum products. Currently, the basic Cenvat duty on petrol, diesel, kerosene (PDS) and LPG (domestic) is nil. However, there is a specific duty of Rs 6.35 per litre on petrol and Rs 2.60 per litre on diesel. The basic customs duty on petrol and diesel is 7.5 per cent and nil on kerosene (PDS) and LPG (domestic). Besides basic duties, the Centre also charges additional and special additional duties on petrol and diesel, along with royalties, cess, corporate tax, dividends, service tax, etc. Indirect tax collection by the Centre from the petroleum sector was 48 per cent of the total indirect tax revenue in 2002-03, which declined to 32 per cent in 2008-09 due to various tax concessions in excise and customs duty against the backdrop of a global economic crisis. Nevertheless, between 2002-03 and 2008-09 the Centre received on an average 40 per cent of its indirect tax revenue from the petroleum sector, which is quite high for a single sector of the economy. Within indirect taxes, excise duty on petroleum products contributes a large portion of the total indirect taxes of the Centre - an average of about 30 per cent between 2002-03 and 2008-

09. On the direct tax front, the Centre is also getting a reasonable amount of revenue from the petroleum sector in the form of corporate tax, royalty and dividends. The share of direct tax revenue from the petroleum sector to total direct tax revenue of the Centre was on an average 11 per cent between 2002-03 and 2008-09. Within direct taxes, the share of corporate tax from petro companies is more than 70 per cent. Overall, this suggests high dependence of the Centre on revenues from the petroleum sector.

The state governments also levy a number of taxes on petroleum products: VAT and/or sales tax, entry tax, additional tax, local tax, purchase tax and other levies. They also obtain revenues from royalties and shareable taxes of the Centre. The state governments' charges are specific rates or ad valorem taxes and sometimes a combination of both. The number of levies and their magnitude vary widely among states. For example, in the case of petrol, the VAT rate varies from minimum of 12.5 per cent in Puducherry to 33 per cent in Andhra Pradesh (Table 1). Similarly, in the case of diesel, the VAT rate varies from 4 per cent in Andhra Pradesh to 25 per cent in Kerala. Also, local bodies within states often levy extra charges on petroleum products. The Mumbai Municipal Corporation charges 2 per cent in the form of octroi on both petrol and diesel. Bihar levies a high entry tax of 16 per cent on both petrol and diesel and 8 per cent on kerosene (PDS) and LPG (domestic). Not only does this sharp variation affect retail prices, it also distorts resource allocation across states.

Between 2002-03 and 2008-09 the Centre received on an average 40 per cent of its indirect tax revenue from the petroleum sector. The share of direct tax revenue from the petroleum sector to total direct tax revenue of the Centre was on an average 11 per cent between 2002-03 and 2008-09

Table 1: Sales tax rates on major petroleum products as on 01-04-2009

| State-wise taxes | Crude oil* | | MS** | | HSD | | SKO(PDS) | | LPG(domestic) | |
|---------------------|-------------|-------------|--------------------|-----------------------|-------------------|--------------------|-------------------|-------------|------------------|-------------|
| | Highest | Lowest | Highest | Lowest | Highest | Lowest | Highest | Lowest | Highest | Lowest |
| VAT | Mah (4%) | AP (4%) | AP (33%) | Pondichery (12.5%) | Ker (25%) | AP (4%) | BIH 12.5% | Ass 2% | WB (4%) | Kar (1%) |
| Sales tax | - | - | WB (25%) | Nagaland (12 %) | UP (17.2%) | Nagaland (12 %) | Nagaland (5 %) | UP (4%) | Nagaland (4%) | - |
| BMC Octroi | Mah (3%) | - | Mah (2%) | - | Mah (2%) | - | - | - | Mah (2%) | - |
| Cess | - | - | PNB Re.1.0/litr | RAJ Rs.0.5/litr | WB Re.1.0/litr | RAJ Rs.0.5/litr | - | - | - | - |
| Additional tax | - | - | WB (20%) | Ker (1%) | WB (20%) | Ker (1%) | Nagaland (20%) | Ker (1%) | - | - |
| Local area dev. tax | Har (4%) | - | - | - | - | - | - | - | - | - |
| Purchase tax | - | - | Kar (28%) | Ass (4%) | Kar (28%) | Ass (4%) | Ass (4%) | - | Ass (4%) | - |
| Entry tax | Goa (4%) | Kar (1%) | BIH (16%) | ORS (1%) | BIH (16%) | ORS (1%) | BIH (8%) | ORS (1%) | BIH (8%) | ORS (1%) |
| CST | - | - | 2% | 2% | 2% | 2% | 2% | 2% | Kar (1%) | ORS (2%) |

Note: *Only two states such as Maharashtra and Andhra Pradesh impose 4% VAT on Crude oil. Entry tax on crude oil exists in three states such as Karnataka, Bihar and Goa.

** Only three states - Uttar Pradesh, J&K and Nagaland collect sales tax on MS.

Purchase tax is payable if the product is bought within the state from an oil companies and transferred to other states

Strategies for infrastructure development

India's impressive economic growth could be marshaled as the new engine for infrastructure development

INDIA'S ONGOING Eleventh Five-Year Plan (EFYP), which spans the period 2007-08 through 2011-12, has laid considerable stress on infrastructure development and inclusive growth. The EFYP aims to more than double investments in the core infrastructure sectors covering power, telecommunications, transportation and irrigation to about \$ 469 billion, compared to actual investment of \$ 198 billion in the previous five-year term. The strategy for achieving 'inclusive growth' focuses on making infrastructure for health, education and habitation widely available in rural and urban areas and investing in human resources.

Till the turn of the 1980s, the public sector dominated the strategy for infrastructure development in India. In the early 1990s, as part of the overall shift in economic thinking towards market-oriented solutions and a more open trade regime, the vision for infrastructure development also underwent change. Private sector participation in infrastructure development was pursued at first in electricity and telecommunications and new institutions were created to regulate the industry not just for ensuring fair competition but also the commercial sustainability of operations. The entry of private sector operators in ports, civil aviation and telecom has led to rapid growth of these sectors. In the case of electricity, non-conventional and renewable sources like wind energy and small hydro projects are largely in the private sector. There has been limited success in attracting private operators into thermal power generation, even though the stage seems to be set for progress here too. The private sector has begun operations under 'build, operate and transfer' contracts or its variants in the development of roads, airports and ports. Major and medium irrigation projects remain in the public sector. Nevertheless, public private partnerships (PPP) are fast establishing themselves as a critical element of the strategy for infrastructure development.

At an aggregate level, the strategies for infrastructure development could be analysed in terms of: (1) status of development; (2) level of investments; (3) financing of investments; (4) role for the

private sector; (5) regulation, pricing and access to services, and, (6) sustainability of development in terms of attention to maintenance of the stock of infrastructure and also in terms of the implications of fiscal imbalances to investments in infrastructure. International benchmarking, with particular reference to China's infrastructure development, holds out important lessons for India.

HIGHLIGHTS OF THE STUDY

India's impressive economic growth could be marshaled as the new engine for infrastructure development. Private sector participation, if combined with independent regulation, could provide the framework for supplementing the public sector's resources in developing infrastructure.

Infrastructure development is also benefiting from progress in other sectors of the economy. Technological advances have enhanced the speed with which infrastructure is created and cost of services reduced. Financial sector reforms have increased access to resources both within and outside the domestic economy.

The evolving policy framework reflects the new strategic choices and compulsions of building efficient infrastructure to meet the needs of a fast growing economy. Enabling legislations have been put in place and institutions of regulation established. The evolution of mechanisms for coordination of policies across finance and environment domains is an ongoing process. Coordination of policies at the central and state levels is another challenge to be overcome for speedy implementation of projects. The need for policy coordination between infrastructure and other sectors is also highlighted by the sudden rise in demand for skilled and semi-skilled manpower in project execution as well as management of contracts, monitoring and evaluation of capacity and the suitable policy response to it in the education sector.

A number of other studies have pointed to a range of issues that need to be addressed to make speedy infrastructure development possi-

ble. Based on a review of the status and progress of infrastructure development in the country, the following challenges could be highlighted:

UTILISING SLACK CAPACITY: inefficiencies in the utilisation of existing infrastructure assets requires to be addressed. Slack capacity in infrastructure has multiplier effects on industries both downstream and upstream. Allocation of adequate resources to improve efficiency in the operation of services is necessary to improve utilisation of the available capacity.

PROJECT IMPLEMENTATION: a number of factors have been identified as responsible for delays in project implementation. Designing good contracts and contracting procedures, streamlining approval and clearance processes and developing skilled human resources are essential elements of a strategy for improving project implementation. We have emphasised the need for optimal choice of investments, taking into account financial capacity for investments.

PRIVATISATION AND PPP: Though a number of successful examples of privatisation and partnership between public and private sectors are available, there is uneven progress on PPP across sectors. Power distribution is an area where private sector participation could yield significant benefits.

GOVERNANCE ISSUES: A wide range of concerns are addressed by better governance. Stable policies and fair implementation of policies are prerequisites for deriving benefits from investments made by public or private sector enterprises.

FISCAL AND COMMERCIAL SUSTAINABILITY OF INVESTMENTS: Though the role of the private sector in infrastructure development is projected to increase significantly, the public sector would continue as a dominant service provider. Therefore, ensuring adequate returns on investment even at an aggregate level would be necessary to maintain the fiscal sustainability of investments, which is essential to draw private investment.

EFFICIENT PRICING OF SERVICES: Independent regulation and competition have led to sharp reduction in the pricing of telecom services. Affordability of services is determined not only by the price but also the quality of services. The role of independent regulation and market competition cannot be overstated in the context of making infrastructure services more affordable. Cross-subsidisation has not succeeded in providing the resources needed for ensuring universal access to services.

MAINTAINING HIGH QUALITY OF SERVICES: Inadequate recovery of costs has led to poor maintenance of assets in the roads, electricity and irrigation sectors. Poor maintenance results in tardy services. It may also be a result of taking resources away from maintenance for creating new assets. We have also noted that the life of assets would be influenced by choice of technology in construction, and consumer education in proper use of assets. We are unable to indicate the level of resources that needs to be allocated to maintain asset quality. Monitoring the quality of services leads to an understanding of the resources that would be needed for maintaining quality of service.

MEASURING INFRASTRUCTURE DEVELOPMENT: There is need to benchmark capacity utilisation of infrastructure services. The available information may be useful in developing an indicator of the status and therefore measure changes over time. However, we need another set of measures to monitor the institutional and policy frameworks for development of the sectors. Such measures may be very valuable in assessing infrastructure development in the future.

POLICY COORDINATION AND IMPLEMENTATION: Infrastructure projects require approvals and policy support from several quarters in the government at different levels. Past experience in the process, particularly in the more liberal economic policy regime of the past two decades, has led to streamlining of procedures, especially at the level of the central government. Coordination of policies relating to fiscal incentives, financial sector measures, foreign investment and environmental concerns should be clear and not at cross purposes. There also exists broader policy concerns relating to education and training. Creating quality and trained human resources should be a broader policy goal. Continuous monitoring and building capacity in terms of human resources and systems are necessary. Design of model procedures and contracts with wider applicability would help in streamlining implementation.

Infrastructure development in India would continue to be demand led in the main, and therefore efficient use of the existing as well as efficient construction of new assets would be critical for higher economic growth. Fiscal support would continue to be dominant for infrastructure development but equally important are enabling policies that could lead to streamlining of procedures and protecting the interests of both investors and consumers.

Infrastructure development in India would continue to be demand led in the main, and therefore efficient use of the existing as well as efficient construction of new assets would be critical for higher economic growth

(This article is based on a two volume NCAER report "Infrastructure Development in India, an Assessment of Status and Strategies" based on a study sponsored by Holcim, Ltd).

Calculating FDI in India

The total foreign investment in a company would be the sum of direct and indirect investment components. This form of calculation of foreign investment would be used at each stage of investment in all Indian companies subject to certain limiting conditions

THE DEPARTMENT of Industrial Policy and promotion (DIPP), Ministry of Commerce and Industry of the Government of India, released a 'Consolidated FDI Policy' on March 31, 2010. This comprehensive document subsumes all previous FDI pronouncements by the DIPP, and became effective from April 1, 2010. However, it does not make changes in the extant regulations. Similar consolidated FDI circulars are proposed to be issued every six months as updates on India's FDI policy with the next to be issued on September 30.

FDI in equity form may be made by non-residents in shares and fully convertible debentures, and preference shares of Indian companies. Such investments could come through two routes - automatic route and government route. An Indian company may receive foreign investment from non-resident as well resident Indian companies. Investment by one resident Indian company in another Indian company could also have a foreign investment component in case the investing Indian company has been invested into by a foreign source. Such investment is referred to as indirect foreign investment. Indirect foreign investment might roll through multiple layers. Foreign investment components of the investing Indian company would include FDI, investments by FIIs, NRIs, ADRs, GDRs, Foreign Currency Convertible Bonds (FCCB), and fully, compulsorily, and mandatorily convertible debentures and preference shares.

If the investing Indian company is 'owned and controlled' by resident Indian citizens and/or by resident Indian companies, such investment would not be considered indirect foreign investment. In other cases, the entire investment by an Indian company having foreign investment into another Indian company would be considered indirect foreign investment. However, as an exception, the indirect foreign investment by a 100 per cent-owned subsidiary of an operating-cum-investing or investing company would be limited to the foreign investment in this company. Such exception is granted because the downstream investment of a 100 per cent owned sub-

siary of a holding company is analogous to investment made by the holding company. Such downward investment would thus be a mirror image of the investment of the holding company in its 100 per cent owned subsidiary.

An example outlined in the 'Consolidated FDI Policy' document provides an illustration of computation of indirect foreign investment. When "Company Y" with a foreign investment component of less than 50 per cent invests in "Company X", the investment would not be considered as indirect foreign investment. However, an alternative case in which "Company Y" holds 75 per cent foreign investment has also been highlighted. If such a company invests 26 per cent into "Company X", the entire investment would be considered indirect foreign investment. The same would hold in the case of "Company Y" investing a higher share of, say, 80 per cent in "Company X". If "Company X" is a wholly-owned subsidiary of "Company Y", then only 75 per cent of investments of 'Y' in 'X' would be treated as indirect foreign equity and the remaining 25 per cent would be counted as resident-held equity.

The total foreign investment in a company would be the sum of direct and indirect investment components. This form of calculation of foreign investment would be used at each stage of investment in all Indian companies subject to certain limiting conditions for sectors in which foreign investments are subject to government approval, or with caps on foreign investment, involved with sectors governed by the Information and Broadcasting and Defence ministries and those governed by specified rules and statutes of foreign investment. For example, the rules of computing foreign investment would not apply to the insurance sector which would be governed by specified regulations.

The new FDI policy consolidates about 178 press notes and releases issued by the government over the past two decades. It is expected to provide a transparent, predictable, simple, clear and investor-friendly framework to promote foreign direct investment.

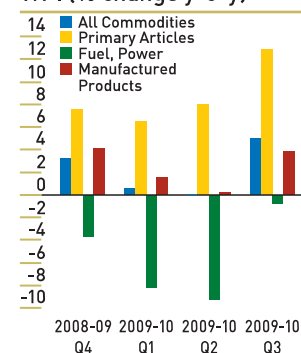
Select Economic Indicators

PERCENTAGE VARIATION (Y-O-Y)*

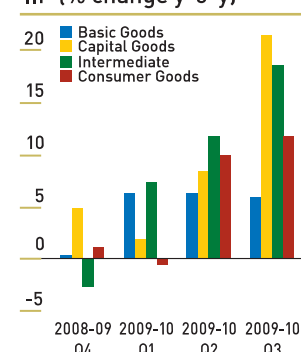
| | 2008-09 | 2009-10 | 2009-10 | 2009-10 | 2010 | 2010 | 2010 | | |
|-----------------------------------------|---------|---------|---------|---------|---------|--------|--------|--------|--------|
| | 2007-08 | 2008-09 | Q4 | Q1 | Q2 | Q3 | JAN | FEB | MAR |
| INDEX NUMBER OF WHOLESALE PRICES | | | | | | | | | |
| All Commodities | 4.7 | 10.3 | 3.2 | 0.5 | -0.1 | 5.0 | 9.4 | 9.9 | 9.9 |
| Primary Articles | 7.6 | 12.3 | 7.5 | 6.5 | 8.0 | 12.9 | 15.4 | 15.5 | 14.1 |
| Fuel, Power | 1.0 | 9.1 | -3.7 | -8.2 | -9.3 | -0.7 | 8.1 | 10.2 | 12.7 |
| Manufactured Products | 5.0 | 9.9 | 4.1 | 1.5 | 0.2 | 3.8 | 7.3 | 7.4 | 7.1 |
| Basic Goods | 4.6 | 12.1 | 0.6 | -7.3 | -7.5 | -4.2 | -0.1 | 2.0 | 2.1 |
| Capital Goods | 6.9 | 5.7 | 2.0 | -1.0 | -1.5 | -1.0 | 3.3 | 0.1 | 3.0 |
| Intermediate Goods | 1.4 | 10.7 | -0.7 | -5.0 | -8.8 | -0.9 | 8.5 | 10.9 | 12.7 |
| Consumer Goods | 4.9 | 8.6 | 6.7 | 10.3 | 10.2 | 15.5 | 16.5 | 14.5 | 12.7 |
| Consumer Durables | 4.1 | 5.2 | 3.2 | 3.0 | 1.2 | 0.0 | 1.9 | 2.7 | 2.2 |
| Consumer Non-durables | 5.1 | 9.1 | 7.2 | 11.4 | 11.4 | 17.7 | 18.6 | 16.1 | 14.2 |
| CPI Industrial Workers | 6.2 | 11.1 | 9.4 | 8.9 | 11.8 | 13.3 | 16.2 | 14.9 | 14.9 |
| CPI Agricultural Labourers | 7.5 | 12.5 | 10.6 | 10.3 | 13.0 | 15.5 | 17.6 | 16.5 | 15.8 |
| INDUSTRY | | | | | | | | | |
| IIP General | 8.5 | 3.3 | 0.5 | 3.8 | 9.1 | 13.1 | 16.7 | 15.1 | 13.5 |
| IIP Mining | 5.1 | 3.1 | 0.9 | 6.8 | 9.0 | 9.6 | 15.3 | 12.2 | 11.0 |
| IIP Electricity | 6.3 | 3.4 | 3.0 | 6.0 | 7.5 | 4.0 | 5.6 | 6.7 | 7.7 |
| IIP Manufacturing | 9.0 | 3.4 | 0.3 | 3.4 | 9.3 | 14.3 | 17.9 | 16.0 | 14.3 |
| IIP Basic Goods | 7.0 | 3.2 | 0.4 | 6.3 | 6.3 | 5.9 | 11.2 | 8.4 | 10.1 |
| IIP Capital Goods | 18.0 | 8.9 | 5.0 | 2.0 | 8.5 | 21.6 | 55.4 | 44.4 | 27.4 |
| IIP Intermediate Goods | 8.9 | -2.4 | -2.7 | 7.4 | 11.8 | 18.7 | 21.9 | 15.6 | 12.7 |
| IIP Consumer Goods | 6.1 | 5.8 | 1.2 | -0.5 | 10.0 | 11.9 | 3.8 | 8.9 | 10.6 |
| IIP Consumer Durables | -1.0 | 5.5 | 5.6 | 15.6 | 23.0 | 33.8 | 31.6 | 29.9 | 32.0 |
| IIP Consumer Non-durables | 8.5 | 5.9 | -0.1 | -5.3 | 5.3 | 5.2 | -3.6 | 2.3 | 3.3 |
| Coal Production | 6.3 | 9.5 | 5.9 | 12.7 | 9.7 | 4.8 | 5.9 | 6.8 | 7.9 |
| Electricity Generation | 6.3 | 3.3 | 3.0 | 6.1 | 7.6 | 4.9 | 6.7 | 7.3 | 7.8 |
| Steel | 6.2 | 1.9 | 1.1 | 1.7 | 1.7 | 7.8 | 15.3 | 0.9 | 7.3 |
| Cement | 8.1 | 8.8 | 9.0 | 12.1 | 12.6 | 8.5 | 12.4 | 5.8 | 7.8 |
| Crude Oil | 0.4 | -2.2 | -5.5 | -1.3 | -1.2 | -0.9 | 9.7 | 4.0 | 3.5 |
| Petroleum Refinery | 6.5 | 3.7 | 0.8 | -4.2 | -2.9 | 4.3 | 3.8 | 0.8 | -0.4 |
| MONEY & BANKING | | | | | | | | | |
| M3 | 21.8 | 24.3 | 18.8 | 20.7 | 20.6 | 17.6 | 17.2 | 16.7 | 17.3 |
| Net Bank Credit to Central Government | 8.0 | 24.1 | 41.5 | 47.9 | 50.0 | 35.1 | 32.6 | 32.7 | 26.2 |
| RBI Credit to Central Government | -1252.1 | -27.0 | -161.8 | -144.5 | -149.4 | -374.8 | -292.1 | -450.1 | 144.4 |
| Bank Credit to Commercial Sector | 22.0 | 27.3 | 17.2 | 15.4 | 15.3 | 11.0 | 14.5 | 15.0 | 15.7 |
| Bank Credit | 23.4 | 29.2 | 17.9 | 14.8 | 15.3 | 0.9 | 14.9 | 15.8 | 17.0 |
| Food Credit | 5.8 | 16.7 | 4.1 | 19.8 | -6.1 | -14.8 | -3.5 | -1.1 | 4.9 |
| Non-food Credit | 23.8 | 29.5 | 18.2 | 14.7 | 15.7 | 12.8 | 15.2 | 16.1 | 17.2 |
| Bank Rate (%) | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 |
| PLR (%) | 13.0 | 12.9 | 12.1 | 11.7 | 13.0 | 11.5 | 11.5 | 11.5 | 11.5 |
| Auc 91 dtb (%) | 7.1 | 7.0 | 4.8 | 3.3 | 3.3 | 3.4 | 4.0 | 4.1 | 4.4 |
| EXTERNAL SECTOR | | | | | | | | | |
| Exports (\$) | 25.0 | 20.5 | -18.5 | -36.0 | -20.6 | 2.8 | 11.5 | 28.7 | 72.9 |
| Imports (\$) | 27.1 | 35.6 | -20.6 | -30.8 | -34.2 | 0.6 | 35.5 | 44.6 | 78.2 |
| Trade Balance (\$ million) | -18816 | -17876 | -14234 | -22915 | -23803 | -29524 | -10362 | -8966 | -7825 |
| Foreign Currency Assets (\$ million) | 299147 | 241597 | 241597 | 254093 | 264373 | 258583 | 256362 | 253991 | 254730 |
| Exchange Rate (Re/\$) | -11.1 | 15.5 | 18.2 | 17.6 | 10.4 | -4.2 | 12.5 | -7.6 | -11.6 |
| Exchange Rate (Re/£) | -5.7 | -3.8 | -9.2 | -7.4 | -4.1 | -0.1 | 3.8 | -3.4 | -6.1 |
| FISCAL (CENTRE) | | | | | | | | | |
| Total Receipt | 32.6 | -6.8 | -7.9 | -12.2 | 9.0 | 10.5 | 25.9 | 30.4 | N.A. |
| Revenue Receipt | 24.5 | 1.1 | -8.4 | -12.5 | 6.1 | 10.5 | 23.8 | 3.5 | N.A. |
| Tax Revenue | 24.5 | 2.8 | -2.6 | -15.2 | -4.1 | 13.2 | 33.1 | -6.7 | N.A. |
| Non-tax Revenue | 24.5 | -6.5 | -27.6 | 14.2 | 43.0 | -2.1 | 4.9 | 53.9 | N.A. |
| Total Expenditure | 22.4 | 28.7 | 18.8 | 16.6 | 39.8 | 4.3 | 3.5 | -3.8 | N.A. |
| Plan Expenditure | 20.9 | 41.5 | 53.0 | -11.9 | 55.5 | 33.7 | -40.5 | -10.0 | N.A. |
| Non-plan Expenditure | 23.0 | 23.5 | 5.1 | 33.2 | 34.4 | -5.6 | 30.8 | 1.0 | N.A. |
| Fiscal Deficit (Rs crore) | 129814 | 330114 | 111852 | 124302 | 73473 | 112205 | 39558 | 31363 | N.A. |
| Revenue Deficit (Rs crore) | 55535 | 247046 | 73216 | 107590 | 57393 | 86271 | 33037 | 31582 | N.A. |
| CAPITAL MARKETS | | | | | | | | | |
| Sensex | 35.8 | -33.9 | -44.9 | -14.1 | 16.0 | 76.3 | 73.6 | 84.8 | 80.6 |
| Market Capitalisation | 61.9 | -31.2 | -47.3 | -15.6 | 19.4 | 94.8 | 100.1 | 107.2 | 101.0 |
| All-India Net FII Investment | 107.8 | -182.0 | -114.3 | -287.1 | -1474.0 | -349.0 | -373.0 | -317.9 | 340.1 |

* Actuals where indicated

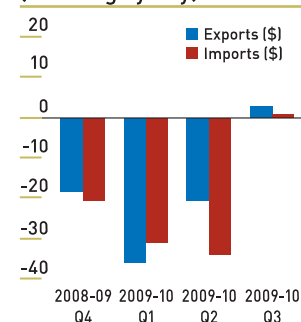
WPI (% change y-o-y)



IIP (% change y-o-y)



External Trade (% change y-o-y)



- Primary articles remain drivers of inflationary pressures
- Industrial growth is broad based
- Exports and imports turn a corner finally

State Expenditure on Social Sector*

(As a percentage to Total Expenditure)

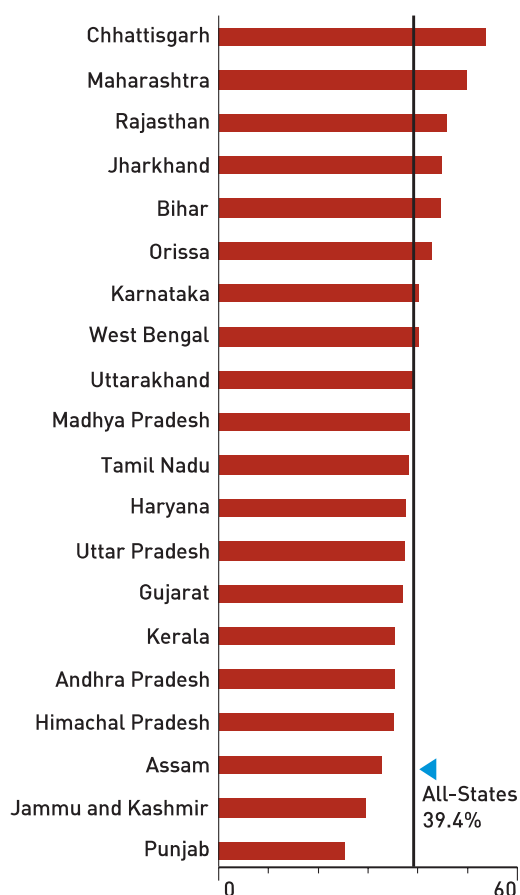
| STATE | 1990-91 | 2004-05 | 2009-10 (BE) |
|-------------------|---------|---------|--------------|
| Andhra Pradesh | 41.7 | 29.3 | 35.3 |
| Assam | 34.7 | 32.4 | 32.7 |
| Bihar | 38.3 | 30.5 | 44.5 |
| Chhattisgarh | - | 37.7 | 53.7 |
| Gujarat | 36.4 | 29.0 | 37.1 |
| Haryana | 32.4 | 24.2 | 37.5 |
| Himachal Pradesh | 39.7 | 29.0 | 35.0 |
| Jammu and Kashmir | 29.7 | 27.9 | 29.6 |
| Jharkhand | - | 44.1 | 44.9 |
| Karnataka | 37.0 | 28.5 | 40.2 |
| Kerala | 43.7 | 36.2 | 35.3 |
| Madhya Pradesh | 41.3 | 24.7 | 38.4 |
| Maharashtra | 35.2 | 28.1 | 49.9 |
| Orissa | 36.5 | 28.9 | 42.8 |
| Punjab | 28.1 | 17.8 | 25.4 |
| Rajasthan | 39.5 | 34.1 | 45.7 |
| Tamil Nadu | 45.1 | 32.6 | 38.1 |
| Uttar Pradesh | 38.5 | 28.6 | 37.4 |
| Uttarakhand | - | 36.6 | 39.5 |
| West Bengal | 46.9 | 29.1 | 40.1 |
| All States | 38.6 | 29.6 | 39.4 |

BE : Budget Estimates. '-' : Not available/Not applicable.

* : Includes expenditure on social services, rural development and food storage and warehousing under revenue expenditure, capital outlay and loans and advances by the State Governments.

Source: State Finances - A Study of Budgets of 2009-10, RBI

State Expenditure on Social Sector*: 2009-10 (BE)
(As a percentage to Total Expenditure)



Quarterly Review

The Quarterly Review offers reports and seminars on the Indian economy. This service is provided by NCAER on an annual subscription basis. A number of large corporations, institutes, multilateral donor agencies and embassies are our subscribers.

The Quarterly Review Comprises

Comprehensive Review of the Economy on a Quarterly Basis
Business Expectations Survey Report on a Quarterly Basis
Quarterly Seminar on the State of the Economy

The Annual subscription for Quarterly Review is Rs 50,000.

For details write to indpack@ncaer.org or

Secretary, National Council of Applied Economic Research,
11, I.P. Estate, New Delhi- 110002

Enquiries on subscription to MacroTrack may also be addressed to the address above

Contributors:

Petroleum taxes: Purna Chandra Parida; **Infrastructure:** Shashanka Bhide and SKN Nair; **FDI:** Rajesh Chadha;
Statistics: K. A. Siddiqui; **Secretarial Support:** S. Bala