18 April 2013 │ 28 pages

India Macroscope

BOP: A Welcome POP

- **Here come the Tailwinds:** It's been headwinds for a while, but here come some tailwinds. India's biggest pressure point and vulnerability – its balance of payments (BOP) and its currency – have got a sweet cocktail of a material oil price drop, a slump in gold and the latest trade data. We believe this doesn't remove the fundamental challenges, but it should materially ease risks, raise expectations (we cut our FY14 current account deficit (CAD) estimate to 4.1% from 4.9%) and gives a sense that global commodity prices and domestic policy efforts are beginning to work in India's favor. It's still early days, but the outlook is better.

- **It's More Than Just the BOP –** The sharp fall in commodity prices bode well on three counts (1) CAD: Crude oil/gold account for 40% of imports ($1/bbl price change in oil is US$900mn. Gold might be different – Cultural factors could limit the drop in demand). (2) Fiscal: On-going fuel reforms coupled with lower commodity prices accelerates the fiscal improvement ($1/bbl change impacts losses by US$700mn) and (3) Inflation: Already on its way down, but with tradables 57% of the WPI, this fall will help

- **Growth Remains a Challenge, But Rays of Light –** India's growth has hit a decadal low. Reversing it requires a mix of policy action, uptick in corporate/consumer confidence, decent monsoons and only moderate election/political challenges. The policy bit is beginning to show: (1) Cabinet Committee on Investments: Making slow but steady progress, (2) Freight Corridor: 80% land acquistion done, bids likely to be awarded shortly, (3) Roads: Recent steps towards funding and environment/forest clearance could reverse the slowdown seen in FY13.

- **FY14 Macro Forecasts** — (1) GDP: Maintain estimates of shallow recovery to 5.7% in FY14 vs 5.0% in FY13 as growth is unlikely to "pop" like the "bop", (2) Deficits: Commodity price impact is positive, but elevated levels to keep the INR in the Rs54-56 range, (3) Inflation: WPI and CPI to trend lower and likely average 5.5%-6% and 8.5%, (4) Rates: Currently pricing a further 25bps cut, but continued fall in commodity prices could provide leeway for further monetary easing. Politics is the key risk.

Figure 1. Statistical Snapshot (%)

Year -end 31 March	FY07	FY08	FY09	FY10	FY11	FY12	FY13E	FY14E
Real GDP growth (%)	9.6	9.3	6.7	8.6	9.3	6.2	5.0	5.7
Agriculture growth (%)	4.2	5.8	0.1	0.8	7.9	3.6	1.8	3.0
Industry growth (%)	12.2	9.7	4.4	9.2	9.2	3.5	3.1	4.4
Services growth (%)	10.1	10.3	10.0	10.5	9.8	8.2	6.6	7.0
Fiscal Deficit (Centre+States)	-5.4	-4.0	-8.3	-9.4	-8.0	-8.1	-7.3	-7.0
Current Account Deficit	-1.0	-1.3	-2.3	-2.8	-2.8	-4.2	-5.1	-4.1
WPI (Average)	6.5	4.8	8.0	3.6	9.6	8.8	7.4	5.5%-6
INR/USD (Average)	45.2	40.2	46.0	47.4	45.6	48.1	54.0	55.0

Source: CSO, RBI, Budget Documents, Citi Research

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With thanks to
Abha Agarwal

Contents

Statistical Snapshot

Figure 2. India – Macroeconomic Summary (FY01-FY14E)

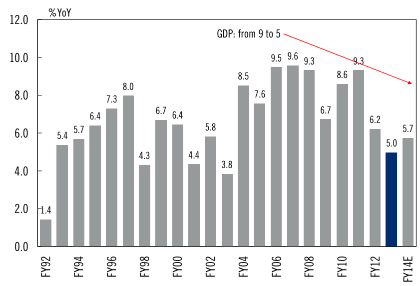
Fiscal Year to 31 March	2000 **FY01**	2001 **FY02**	2002 **FY03**	2003 **FY04**	2004 **FY05**	2005 **FY06**	2006 **FY07**	2007 **FY08**	2008 **FY09**	2009 **FY10**	2010 **FY11**	2011 **FY12**	2012 **FY13E**	2013E **FY14E**
National Income Indicators*														
Nominal GDP (Rs bn)	21,840	23,676	25,500	28,617	32,422	36,934	42,947	49,871	56,301	64,778	77,953	89,749	100281	113017
Nominal GDP (US$ bn)	478	493	528	623	720	834	950	1,241	1,224	1,367	1,710	1,866	1,857	2,055
Per Capita GDP (US$)	469	474	500	582	662	754	847	1,090	1,061	1,168	1,442	1,552	1,522	1,635
Real GDP growth (%)	4.3	5.5	4.0	8.1	7.0	9.5	9.6	9.3	6.7	8.6	9.3	6.2	5.0	5.7
Agriculture growth (%)	0.0	6.0	-6.6	9.0	0.2	5.1	4.2	5.8	0.1	0.8	7.9	3.6	1.8	3.0
Industry growth (%)	6.0	2.6	7.2	7.3	9.8	9.7	12.2	9.7	4.4	9.2	9.2	3.5	3.1	4.4
Services growth (%)	5.4	6.9	7.0	8.1	8.1	10.9	10.1	10.3	10.0	10.5	9.8	8.2	6.6	7.0
By Demand * (%YoY)														
Consumption	3.0	5.3	2.3	5.4	2.3	8.6	7.9	9.3	7.6	8.2	8.1	8.1	4.1	5.7
Pvt Consumption	3.4	6.0	2.9	5.9	2.1	8.5	8.7	9.2	7.1	7.1	8.6	8.0	4.1	5.5
Public Consumption	0.9	2.3	-0.4	2.6	3.4	8.9	3.8	9.6	10.4	13.9	5.9	8.6	4.1	7.0
Gross Fixed Capital Formation	0.0	7.4	6.8	13.6	20.7	16.2	13.8	16.2	3.5	7.7	14.0	4.4	2.5	4.0
Cons; Invst, Savings ** (%GDP)														
Consumption	78.5	78.9	77.2	75.0	70.1	69.2	68.0	67.2	68.6	69.1	67.2	68.0	68.7	69.2
Gross Capital Formation	23.8	22.3	24.6	26.9	32.8	34.7	35.7	38.1	34.3	36.3	37.0	35.4	35.3	35.7
Gross Domestic Savings	22.8	22.6	25.4	28.7	32.4	33.4	34.6	36.8	32.0	33.7	34.0	30.8	29.9	30.5
Real Indicators (%YoY)														
Cement dispatches (domestic)	-1.9	9.8	8.7	5.8	8.1	10.1	10.2	9.8	8.5	11.2	5.2	7.0	8.0	9.0
Commercial vehicle sales	-11.9	-4.5	40.4	36.2	22.4	10.1	33.3	4.2	-21.4	39.2	27.0	19.5	-1.9	12.9
Car sales	-5.3	3.2	5.3	27.2	17.8	7.7	20.7	12.1	0.3	25.7	29.3	3.9	2.4	8.0
Two-wheelers	0.7	15.3	15.8	11.3	15.7	13.6	11.5	-7.8	2.7	25.9	25.8	13.9	2.7	12.5
Diesel consumption	-3.4	-3.7	0.3	1.2	6.9	1.4	6.7	11.1	8.5	8.9	6.5	8.0	8.0	8.0
Mobile Tele density	0.3	0.6	1.3	3.1	4.8	8.2	14.1	22.0	33.0	48.5	66.8	75.1	79.0	80.0
Monetary Indicators (% YoY)														
Money supply	15.9	16.0	16.1	13.0	14.0	15.9	20.0	22.1	20.5	19.2	16.0	15.8	13.4	17.0
Inflation – WPI (Avg)	7.1	3.6	3.4	5.5	6.5	3.7	6.5	4.8	8.0	3.6	9.6	8.8	7.4	5.5%-6
CPI (Avg)	3.7	4.3	4.1	3.8	3.9	4.2	6.8	6.2	9.1	12.3	10.5	8.4	10.2	8.5-9
Bank credit growth	17.3	15.3	23.7	15.3	30.9	37.0	28.1	22.3	17.5	16.9	21.5	17.0	14.1	15.0
Deposit growth	18.4	14.6	16.1	17.5	13.0	24.0	23.8	22.4	19.9	17.0	16.0	13.5	14.3	15.0
Fiscal Indicators (% GDP)														
Centre's fiscal deficit)	-5.4	-6.0	-5.7	-4.3	-3.9	-4.0	-3.3	-2.5	-6.0	-6.5	-4.8	-5.7	-5.2	-4.8
State fiscal deficit	-4.0	-4.0	-3.9	-4.2	-3.3	-2.5	-2.1	-1.4	-2.3	-2.9	-3.2	-2.3	-2.1	-2.2
Combined deficit (Centre+State)	-9.2	-9.6	-9.2	-8.2	-7.2	-6.5	-5.4	-4.0	-8.3	-9.4	-8.0	-8.1	-7.3	-7.0
Off Balance Sheet Items						-0.5	-0.9	-0.6	-1.7	-0.2				
Combined liabilities (dom+ext)	82.6	87.2	90.7	90.0	88.8	84.6	79.9	76.1	76.8	75.5	69.6	69.1	68.3	68.3
External Sector (% YoY)														
Exports (US$bn)	45.5	44.7	53.8	66.3	85.2	105.2	128.9	166.2	189.0	182.4	256.2	309.8	303.6	333.9
% YoY	21.1	-1.6	20.3	23.3	28.5	23.4	22.6	28.9	13.7	-3.5	40.4	20.9	-2.0	10.0
Imports (US$bn)	57.9	56.3	64.5	80.0	118.9	157.1	190.7	257.6	308.5	300.6	383.5	499.5	507.0	527.3
%YoY	4.6	-2.8	14.5	24.1	48.6	32.1	21.4	35.1	19.8	-2.6	27.6	30.3	1.5	4.0
Trade deficit (US$bn)	-12.5	-11.6	-10.7	-13.7	-33.7	-51.9	-61.8	-91.5	-119.5	-118.2	-127.3	-189.8	-203.4	-193.4
Invisibles (US$bn)	9.8	15.0	17.0	27.8	31.2	42.0	52.2	75.7	91.6	80.0	79.3	111.6	108.2	108.5
Current Account Deficit (US$bn)	-2.7	3.4	6.3	14.1	-2.5	-9.9	-9.6	-15.7	-27.9	-38.2	-48.1	-78.2	-95.2	-84.9
% to GDP	-0.6	0.7	1.2	2.3	-0.3	-1.2	-1.0	-1.3	-2.3	-2.8	-2.8	-4.2	-5.1	-4.1
Capital Account (US$bn)	8.8	8.6	10.8	16.7	28.0	25.5	45.2	106.6	6.8	51.6	63.7	67.8	92.6	91.6
% GDP	1.9	1.7	2.1	2.7	3.9	3.1	4.8	8.6	0.6	3.8	3.7	3.6	5.0	4.5
Forex Assets (excl gold) (US$bn)	39.6	51.0	71.9	106.1	135.1	145.1	191.9	299.1	241.6	252.8	273.7	260.9	258.2	264.9
Months of imports	8.2	10.9	13.4	15.9	13.6	11.1	12.1	13.9	9.4	10.1	8.6	6.3	6.1	6.0
External Debt (US$bn)	101.3	98.8	104.9	112.7	134.0	139.1	172.4	224.4	224.5	260.9	305.9	345.5	376.3	391.3
Short Term Debt (US$bn)	3.6	2.7	4.7	4.4	17.7	19.5	28.1	45.7	43.3	52.3	65.0	78.2	91.9	96.9
Exchange Rate														
US$/INR - annual avg	45.7	48.0	48.3	45.9	45.0	44.3	45.2	40.2	46.0	47.4	45.6	48.1	54.0	55.0
% depreciation	5.3	5.0	0.6	-5.0	-2.0	-1.6	2.0	-11.1	14.4	3.0	-3.8	5.5	12.3	1.9
US$/INR – Year end	46.5	48.9	47.5	43.6	43.8	44.6	43.6	40.1	50.7	44.9	44.6	50.3	54.3	56.3
% depreciation	6.7	5.2	-2.9	-8.2	0.3	2.0	-2.3	-8.0	26.4	-11.4	-0.7	12.8	8.0	3.7

Source: Citi Research

Theme

Deficits – Some Rays of Light

Figure 3. Trends in GDP (%YoY)



Source: CSO, Citi Research Estimates

Quadruplet Deficits – A Quick Recap: In early 2012, we discussed how the rise in each of the four deficits (1) current account (CAD), (2) fiscal, (3) governance leading to a policy log-jam and (4) liquidity, had led to the de-rating of India's story and that these weak parameters are likely to feed on each other unless a determined effort is made to correct them (see India Macroscope – Deficits – Not Twins, But Quadruplets). We also recently re-iterated the necessity to address these issues (see India Macroscope - The 5% Trap). Since then, much has happened with the delta on two of the four being positive. Going forward, the current trend of lower commodity prices, coupled with policy momentum, bodes well for the overall macro picture.

What's the Latest? – The Good and the Bad

- **Policy/Governance:** Starting with the positive, since Sept 12, incremental policy measures announced and implemented (including politically sensitive fuel price and FDI reforms) have brought back the economy from the brink of a potential ratings downgrade (see page 18 for details).

- **Fiscal:** The FM did keep his word on fiscal targets, with the centre's deficit in FY13 coming in at 5.2%, marginally below his 5.3% target. While this was achieved by fairly ruthless level of expenditure control, it is still impressive, given that few in the market could have imagined such a show, just a couple of months ago. The question remains if the govt will be able to meet its 4.8% target for FY14. Odds are high, having seen the discipline and determination in FY13.

- **Current Account and Liquidity:** The delta on both liquidity and the CAD has not been encouraging so far. As discussed in our latest BoP update, following the 5.4% print in 2QFY13, the CAD touched a record high of 6.7% in 3QFY13 (Oct-Dec quarter). While global demand has taken a toll on exports, imports have remained high – led by a rise in oil and gold. However, given the recent carnage seen in commodities, this could change in FY14. But, what could temper the improvement is a moderation in invisibles due to a near doubling of investment income outflows – a result of higher recourse to external debt.

Latest Commodity Outlook – Positive For India

Figure 4. Citi Commodities Price Forecast*

	2012	2013E	2014E
Energy (USD/bbl)			
NY MEX WTI	94.1	90	83
ICE Brent	111.7	104	93
Base Metals (USD/MT)			
LME Aluminium	2049	1975	1930
LME Copper	7945	7515	6775
Precious Metals (USD/oz)			
Gold	1669	1555	1435
Silver	31.2	28.1	25.9
Bulk Commodities (USD/MT)			
Coking Coal	211	171	190
Thermal Coal	94	89	94
Iron Ore Spot	128	128	122

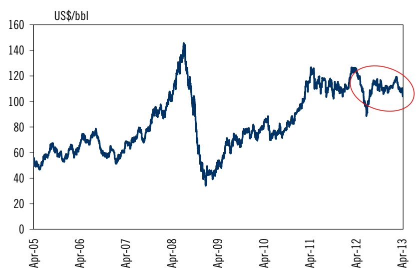
Source: Citi Research, *subject to revision

In its latest quarterly outlook "From Super-cycle to Unicycle", our global commodities team expects that similar to 1Q 2013, the coming quarter is likely to see price declines across the commodity space - base metals, precious metals, thermal coal and iron ore and most other hydrocarbons.

Our team says that the second quarter should provide another affirmation that the so-called commodity super-cycle has finally ended and should usher in the first "normal" year in over a decade, during which commodity prices at the end of the year would be lower than when the year started. Going forward, tor the next few years, each commodity looks more likely to be sitting on its individual supply/demand fundamentals than on more general factors affecting all of them.

Thus, differentiation among investment cycles is likely to become more pronounced over the next few years as well, with deferred investments in oversupplied copper and other base metals markets today turning into tight markets a couple of years down the road, while the downward march of costs in North American and global gas and rising demand maintaining the production boom of the last half decade for perhaps decades to come.

Figure 5. Trends in Oil Price (US$/bbl)



Source: Bloomberg

Our team expects that the North American Supply Revolution should start to have tangible impacts both on global prices and trading pattern.

The market outlook is pointing to a shift in the trading range for oil, whereby the bottom of today's trading range ($90-$120/bbl) is going to be the top of the likely trading range by 2020 ($80-90).

Oil – North American Supply Revolution Bodes Well

A quick re-cap, India imports 80% of its crude oil requirements, with oil comprising over 30% of its import bill. Taking into account petro product exports, a US$1/bbl increase in oil prices would increase the trade deficit by US$900m.

Trends and Outlook: As per the latest data by the Ministry of Commerce, India's oil import bill stood at US$169.3bn in FY13 vs US$155bn in FY12. Going forward, given the moderation in crude prices and a likely moderation in demand due to recent fuel price reforms, we expect the "net" oil import bill to come in ~10% lower in FY14. Our global commodities team expects the easing of prices to continue due to the North American Supply Revolution. Our current numbers incorporate the Indian crude basket averaging US$99/bbl in FY14.

Figure 6. Trends in Oil Imports

Year	FY08	FY09	FY10	FY11	FY12	FY13E	FY14E
A. Crude oil production (mn T)*	34.1	33.5	33.7	35.6	37.8	39.2	44.8
B. Crude oil imports (mn T)	121.7	128.2	159.3	166.1	176.3	189.1	205.7
Crude oil requirements (A+B)**	**155.8**	**161.7**	**192.9**	**201.8**	**214.1**	**228.3**	**250.5**
Natural Gas Production (bcm)	**32.3**	**32.8**	**47.6**	**53.1**	**48.7**	**44.0**	**42.2**
In Volume Terms (Mn Tonnes)							
Consmp of Petro products	**129.0**	**133.6**	**138.2**	**141.8**	**146.3**	**160.8**	**165.6**
Petroleum Product Exports	40.8	36.9	51.0	63.9	67.8	66.7	82.6
In Value Terms (US$bn)							
A. Oil/ Petroleum Product Imports	84.7	95.5	89.2	106.8	159.4	158.4	158.6
B. Petroleum product exports	27.6	27.2	30.5	40.0	60.1	55.2	63.6
Net oil import bill (A-B)	**57.2**	**68.3**	**58.7**	**66.8**	**99.3**	**103.2**	**95.0**
Avg Oil Price (Indian basket)	80.2	89.0	70.0	80.0	115.0	107.0	99.0

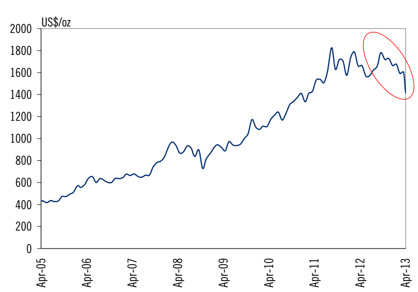
*Includes capacity additions by ONGC, Cairn and Reliance's KGD6.** Includes increased crude requirements as new refineries come on stream. Source: Citi Research; Crisinfac

Gold – Falling Prices Could Temper "Investment Demand"

As has been well documented, gold which now comprises 10% of imports and has been a key factor that has led to the widening CAD, with the most striking statistic in the RBI's report on gold showing that the FY12 CAD which was at a record-high 4.2% GDP, would have been ~2.1% excluding gold.

Trends and Outlook: While gold prices in dollar terms have come off from a high of ~US$1,780/oz to US$1,394/oz currently, the decline is relatively less in rupee terms, due to the weakness seen in the INR earlier this year. Lower gold prices could have separate impacts on the two segments – jewelry and investment. As regards Jewelry, given cultural factors, consumer sentiment could lean towards buying more. From an investment view, falling prices could signal a loss in value of investment, causing demand to go down. An added factor that could come into play is the moderation in inflation and the introduction of inflation-indexed bonds, which could result in a shift from physical savings to financial savings.

Figure 7. Trends in Gold Prices (US$/oz)



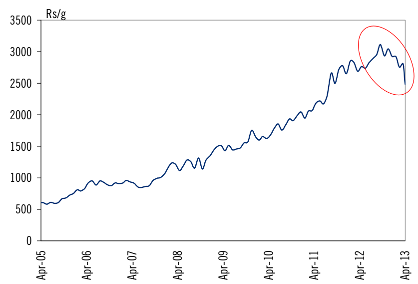
Source: Bloomberg

Figure 8. Trends in Gold Imports

	FY08	FY09	FY10	FY11	FY12	FY13E	FY14E
Gold Imports (Tonnes)	**704**	**609**	**749**	**956**	**891**	**811**	**730**
Gold Prices $/oz	765	868	1,025	1,295	1,645	1,660	1450
Gold Imports (US$bn)	**16.7**	**20.7**	**28.6**	**40.5**	**56.2**	**50.0**	**41.0**
Gems and Jewelry Exports (US$bn)	19.7	28.0	29.0	40.5	46.9	50.0	52.0
Gold Exports (US$bn)	3.0	4.2	4.3	6.1	7.0	7.5	7.8
Net Gold Imports (US$bn)	**13.8**	**16.5**	**24.3**	**34.5**	**49.2**	**43.5**	**33.2**

Source: WGC, RBI, DGCI&S, Citi Research

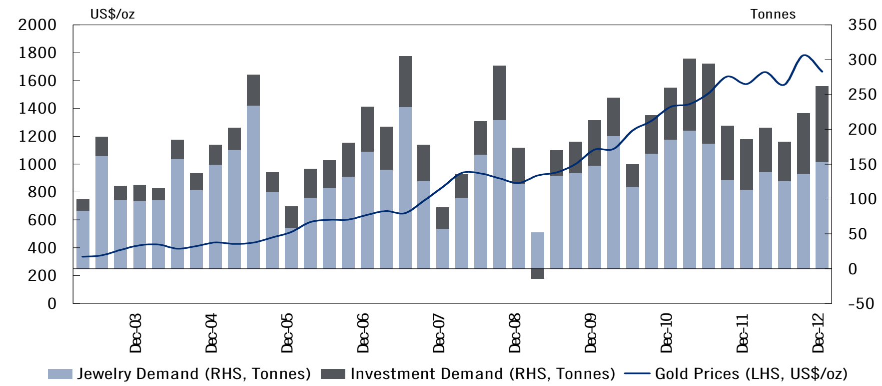
Figure 9. Trends in Gold Prices (Rs/g)



Source: RBI, Bloomberg

As per the World Gold Council data, investment demand for gold has seen a sharp increase in total demand, to ~42% of demand in 3QFY13 from 32% in FY12 and 12% in FY00. Going forward, if investment demand continues to have such a strong presence, falling prices are likely to be accompanied by slowing demand, and thus could narrow the CAD.

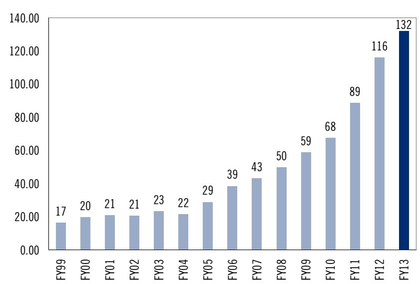
Figure 10. Trends in Jewelry and Investment Demand of Gold and Gold Prices (Tonnes, US$/oz)



Source: WGC, Bloomberg Citi Research

Coal – Imports to Rise as Execution Challenges Remain

Figure 11. Coal Imports (Mn Tonnes)



Source: Interocean

Apart from oil and gold, another item that has contributed to the widening trade deficit has been a rise in coal imports. This is mainly on account of sharp increase in domestic demand, mismatched by an inadequate growth in domestic supply. The shortage in domestic supply of coal has primarily been a result of stalled mining projects due to (1) problems in obtaining forest/environmental clearances and (2) land-acquisition issues. Adding to the woes are the high international prices.

Trends and Outlook: While the govt is taking steps to address these issues (see page 8), the positive impact of higher output could take a while to be reflected in the numbers. Consequently, coal imports are likely to rise. Thus, unlike a moderation in the oil/gold imports, the coal import bill is likely to stay high in FY14 despite prices easing.

Figure 12. Coal – Trends in Coal Imports

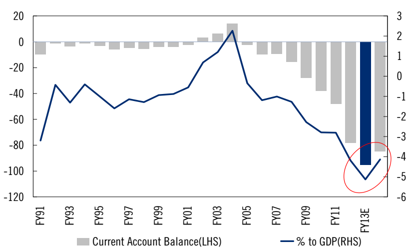
	FY08	FY09	FY10	FY11	FY12 (P)	FY13E	FY14E
Domestic demand (mt)	503.4	548.2	587.0	592.4	634.1	736.2	832.2
Domestic despatches (mt)	453.6	489.2	513.8	523.5	535.2	575.2	604.2
Imports (mt)	**49.8**	**59.0**	**73.3**	**68.9**	**98.9**	**134.9**	**160.2**
- Thermal Coal (mt)	27.8	37.9	48.6	49.4	68.9	103.9	121.2
- Thermal Coal price (US$/tonne)	**67.4**	**100.5**	**63.2**	**87.5**	**97.9**	**73.8**	**74.6**
Thermal Coal Import bill (US$bn)	**1.9**	**3.8**	**3.1**	**4.3**	**6.7**	**7.7**	**9.0**
- Coking Coal (mt)	22.0	21.1	24.7	19.5	30.0	31.0	38.9
- Coking Coal price (US$/tonne)	**97.0**	**305.0**	**128.0**	**214.8**	**291.3**	**193.8**	**176.8**
Coking Coal Import bill (US$ bn)	**2.1**	**6.4**	**3.2**	**4.2**	**8.7**	**6.0**	**6.9**
Total Coal Import Bill (US$ bn)	**4.0**	**10.2**	**6.2**	**8.5**	**15.5**	**13.7**	**15.9**

Source: Ministry of Commerce, Ministry of Coal, Citi Research

Implications for India: Vicious to Virtuous?

As discussed in our earlier notes, given India's import dependence on commodities, India is sensitive to changes in commodity prices. The impact would be three-fold – i.e., (1) Balance of Payments – Crude oil and gold account for 40% of total imports. (2) Fisc – Targets could be met as low prices reduce under-recoveries and (3) On Inflation – Fuel has a weight of 14% in the WPI basket.

Figure 13. Trends in CAD (US$bn, %)



Source: RBI; Citi Research

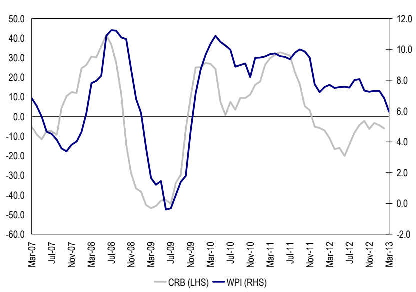
CAD: Could the Delta Improve More?: With 2Q and 3QFY13 CAD at 5.4% and 6.7% of GDP respectively, we incorporate an improvement in the CAD to 4.5% in 4Q. Incorporating the latest trade data and commodity price forecasts, our full-year estimates stand at US$95.2bn (5.1% of GDP) in FY13 and US$84.9bn (4.1% of GDP) in FY14E.

Figure 14. Key Assumptions to Watch on Direction of CAD*

	FY12	FY13E	FY14E	Comment
Exports (%)	20.9	-2.0	10.0	Exports sensitive to global recovery than INR
Oil US$/bbl(Indian basket)	115	107	99	US$1/bbl change = US$900mn
Gold Quantum (Tonnes)	891	811	730	Key to watch if the decline in invst demand (25%) is offset by higher jewelry demand
Gold Prices ($/oz)	1645	1660	1450	
Software Exports Growth (%)	14.4	10	10	
Investment Income(US$bn)	-16	-20	-24	Edges higher due to recourse to external debt

*for details, pls see p.20; Source: RBI, Citi Research

Figure 15. Trends in WPI and CRB



Source: MOSPI; Bloomberg

Impact on Inflation: Given structural issues in food inflation, CPI is likely to stay elevated at 8.5% levels. However, with tradeables accounting for 57% of the WPI, lower commodity prices coupled with a stable rupee are likely to result in headline WPI averaging 5.5% -6% vs 6.5% estimated earlier. Moreover, lower commodity prices are likely to reduce "suppressed" inflation.

Figure 16. Trends in "Suppressed Inflation"*

	Weight in WPI	Current Price	Current Losses	Price Hikes Needed	Impact on Inflation
Liquefied petroleum gas	0.90%	423	434.0	102.6%	0.9%
Kerosene fuel	0.70%	15	30.5	203.3%	1.4%
High speed diesel	4.70%	51	6.5	12.7%	0.6%
Overall impact	**6.30%**				**2.9%**

* Data as of 11 April, 2013; Source: Citi Research

Fuel Subsidy: Saurabh Handa, our oil and gas analyst, estimates gross under-recoveries at Rs1180bn. If crude averages US$10/bbl lower, this could come off to Rs800bn, which in turn would reduce the govt's share. However, key to note is that the FY14 budget has estimated oil subsidies at Rs650bn vs Rs969bn in FY13.

The budget has estimated fuel subsidies at Rs650bn.

OF this, arrears for FY13 are at Rs500bn

Figure 17. Subsidy Sharing Mechanism (Rs bn)

	FY09	FY10	FY11	FY12	FY13E	FY14E	FY15E
Gross under-recoveries	**1,033**	**461**	**782**	**1,385**	**1,673**	**1,180**	**900**
Less: upstream sharing	**324**	**144**	**303**	**550**	**602**	**637**	**659**
% of total	31%	31%	39%	40%	36%	54%	73%
Less: oil bonds/cash	**713**	**260**	**410**	**835**	**1,072**	**543**	**241**
% of total	69%	56%	52%	60%	64%	46%	27%
Brent Crude (US$/bbl)	85	71.5	87	115	110	110	110
USD/INR		47.5	45.6	48	54	54	54

Source: Citi Research

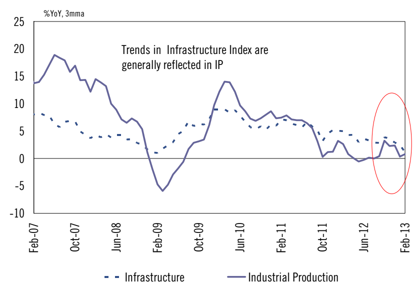
Real Indicators

Trends Still Sub-Par

Underlying trends in the index of industrial production remain weak with output growth on a 3mma basis at 0.8%. This is corroborated by sub-par trends in the PMI and across segments like two-wheelers, passenger cars and heavy vehicles.

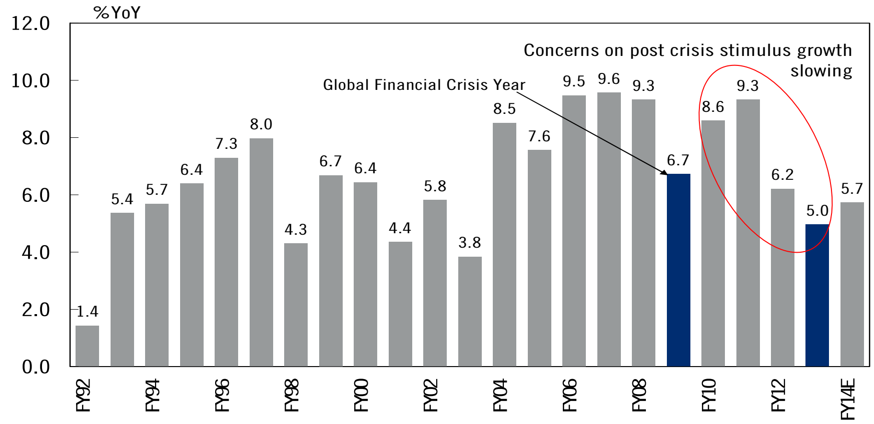
We re-iterate our view that continued policy action is needed to get the economy back to its potential. In this context, the Econ Survey released earlier this year discussed the reasons behind the sharp deceleration in growth to 5% in FY13 that follows the post-crisis stimulus period of growth >8.5%. Key factors responsible include (1) Policy constraints and high rates impacting investments, (2) Tight monetary policy in response to rising inflation which took a toll on consumption and (3) Growing external headwinds.

Figure 18. Trends in Infra Index and Industrial Production (%YoY, 3mma)



Source: CSO

Figure 19. Trends in GDP (%)



Source: CSO: Citi Research

Maintain Estimates of Shallow Recovery to 5.7% in FY14

Assuming continued incremental policy momentum, we maintain our view of a shallow recovery to 5.7% in FY14 vs 5.0% in FY13. This factors in: (1) The RBI easing rates by a further 25bps by 1H13; (2) A pick-up in consumption as FY14 is a pre-election year and lower rates could help; (3) A marginal uptick in investments, which rests on continued government efforts – both policy change and execution.

As mentioned in our previous notes, with Apr-Feb IIP at 0.8%, numbers in other sectors would need to pick up to meet the govt's 5% GDP estimate for FY13 and our 5.7% estimate for FY14E.

(A quick re-cap, the CSO's first GDP est. of 5% is based on agri growth of 1.8%, industry at 3.1% and services at 6.6%).

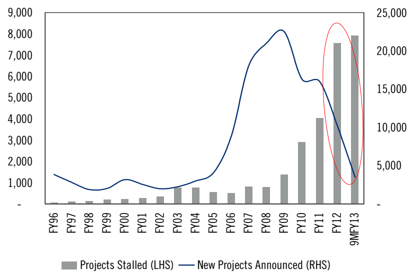
Figure 20. Trends in GDP (%)

	Wts	FY07	FY08	FY09	FY10	FY11	FY12	FY13*	FY14E
Agriculture	13.7	4.2	5.8	0.1	0.8	7.9	3.6	1.8	3.0
Industry	27.0	12.2	9.7	4.4	9.2	9.2	3.5	3.1	4.4
Services	59.3	10.1	10.3	10.0	10.5	9.8	8.2	6.6	7.0
Consumption	71.0	7.9	9.3	7.6	8.2	8.1	8.1	4.1	5.7
Private Consumption	59.7	8.7	9.2	7.1	7.1	8.6	8.0	4.1	5.5
Public Consumption	11.4	3.8	9.6	10.4	13.9	5.9	8.6	4.1	7.0
Gross Capital Formation	38.6	13.4	18.1	-5.2	16.7	16.2	1.5	3.9	4.2
Fixed Capital Formation	33.4	13.8	16.2	3.5	7.7	14.0	4.4	2.5	4.0
GDP	**100.0**	**9.6**	**9.3**	**6.7**	**8.6**	**9.3**	**6.2**	**5.0**	**5.7**

*FY13 are CSO Estimates; Source: CSO, Citi Research

What to Watch: Progress on CCI; Railways and Roads

Figure 21. Projects Announced vs Projects Stalled (Rs bn)



Source: CMIE

CCI: Apart from lower commodity prices, another ray of light on the macro front is the progress being made by the Cabinet Committee on Investments (CCI). Since early 2013, the CCI has been regularly meeting to discuss the expedition of high-value projects of over Rs10bn in key sectors like Oil and Gas, Coal, and Roads.

Thus far, the main role of the CCI has been to (1) facilitate project decisions from disputes between ministries, (2) help expedite obtaining environmental/forest clearances for projects and (3) facilitate security clearance on projects.

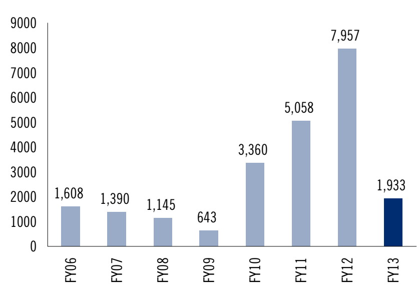
We re-iterate that the proposed CCI appears tamer than the initially proposed National Investment Board, which was supposed to have "appellate powers" and over-ride decisions made by individual ministries. However, as seen in Fig 22 below, the delta change appears positive and could help stem dismal investment trends.

Figure 22. CCI – Progress so far

Focus Area	Steps Taken
Oil and Gas	- Directed Min.of Petroleum+Min. of Defense to resolve security clearance issues on 39 blocks - Approved conditional clearance for 5 blocks of ~US$10.5bn
Clearance Process	- Taken steps to streamline the process of granting environmental and forest clearances
Mining	- Coal mining projects of a one-time capacity expansion of 25% or less are exempted from public hearing for EC - No fresh EC required for renewing mining lease of projects that received an EC by EIA 2006
Roads	- Roads/transmission projects passing through villages are exempt from obtaining consent of the Gram Sabha provided rights of tribal groups/ pre-agri communities have not been affected. - Project work on non-forest land can begin while a the forest clearance is pending. - Allowed de-linking of Env and Forest clearances in linear projects.
Coal Projects	- Considered a proposal for fast-tracking approvals for Env/Forest clearances for 12 coal mining projects of ~37mt of coal - Directed that env/forest clearance cases would have a 1-month time frame for processing
Coal Prices	- Took up the Min. of Coal's proposal "Pooling of Price of Imported Coal with Domestic Coal - Approved guidelines for the pricing and pass through of the higher cost of imported coal
Thermal Power	- Decided conditions for setting up a NTPC power plant located in a potential coal-bearing area

Source: PIB

Figure 23. Roads – Projects Awarded (Km)



Source: NHAI

Railways: DFC – A Quick Recap: The Dedicated Freight Corridor was announced during the FY06 Railway Budget. This consists of a Western Freight Corridor of 1,499 kms (WFC) and an Eastern Freight corridor of 1,839km (EFC), adding up to 3,300km. The WFC will be jointly financed by the Japan International Cooperation Agency (JICA) while the EFC is expected funding from the World Bank, public-private partnerships (PPPs) and internal generation

While it has been ~6 years since then, some bits of good news include (1) the rail minister in the budget this year said that 80% of the land acquisition has been completed, (2) Bids for the WFC (~1,483 km) are expected to begin in May, (3) The Tata-Aldesa joint venture has been awarded ~343km of the EFC contract.

Roads: Will FY14 be a different story? Trends in FY13 were poor, with only 1,933 km being awarded vs ~8,000 km in FY12. This was mainly due to funding difficulties and environmental/forest clearance issues. However, FY14 could be a better year for the sector, given recent favorable steps taken on both the funding and clearance front which include (1) giving lenders priority on user charges/tolls/tariff payments to make debt more secure, (2) de-linking of environmental and forest clearances – work can now begin once an environmental clearance is received. Key to note is that the roads authority, the NHAI, has set an internal target of 9,000km to be awarded in FY14, aiming to ensure at least 7,300km is awarded.

Monetary Indicators

Inflation – Declining Trend in Both WPI and CPI

India's WPI surprised positively yet again in March, with the headline print coming in at 5.96%, significantly lower than expectations and the 6.8% reading last month. Encouragingly, manufactured non-food product inflation (the RBI's proxy to core) came in at sub 4% levels – the RBI's comfort zone for the second consecutive month. Moreover, on a seasonally-adjusted basis, headline WPI was up 0.1% MoM, while core was -0.1%. The CPI also trended lower, but remained at uncomfortable double-digit levels of 10.4% in March, ~50bps lower than the 10.9% reading last month.

Figure 24. Trends in WPI (%)

	Wts	Jan-13	Feb-13	Mar-13
Primary Art	20.1	11.4	9.7	7.6
%MoM		1.7	-0.4	0.4
Manuf Prods	65.0	4.9	4.5	4.1
%MoM		0.3	-0.2	0.1
Fuel Index	14.9	9.3	10.5	10.2
%MoM		1.6	0.9	0.4
WPI		**7.3**	**6.8**	**5.96**

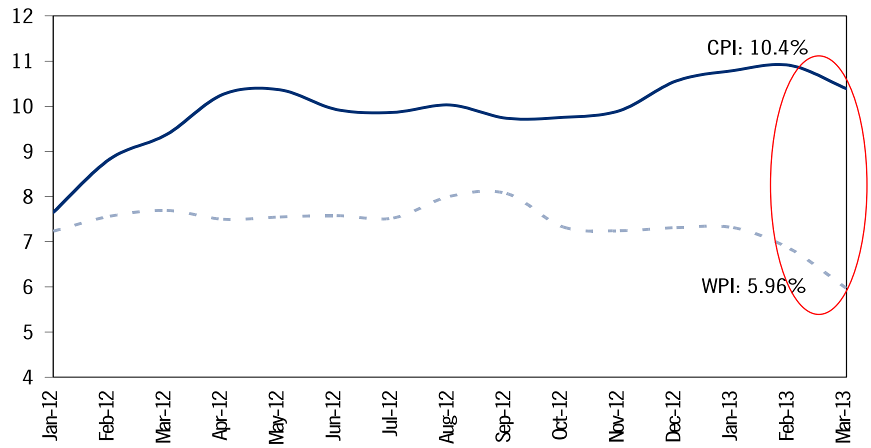
Source: Office of the Econ Advisor

Figure 25. Trends in CPI (%)

	Wts	Jan-13	Feb-13	Mar-13
1. Food, Tobacco	49.7	13.2	13.4	12.3
2. Fuel and Light	9.5	8.4	8.7	8.3
3. Clothing	4.7	10.9	10.9	10.6
4. Housing	9.8	10.3	10.5	10.5
5. Miscellaneous	26.3	6.9	7.2	7.4
Headline CPI	**100**	**10.8**	**10.9**	**10.4**
%MoM		0.6	0.6	0.3
Rural	57.0	10.8	11.0	10.3
Urban	43.0	10.7	10.8	10.4

Source: CSO

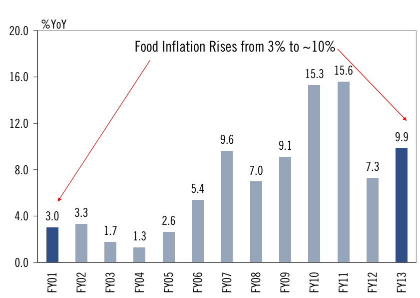
Figure 26. Trends in WPI and CPI (%YoY)



Source: CSO, Office of the Economic Advisor

Outlook: While certain elements of inflation are sticky, given that ~57% of India's WPI basket is tradable and provided the INR stays stable, lower commodity prices bode well for headline WPI. We expect WPI to average 5.5%-6% and CPI 8.5-9% in FY14 vs 7.4% and 10.2% in FY13. We expect CPI to remain higher than the WPI and the 300-350bps difference in readings to continue, given the higher weight of food in the CPI vs WPI (food wts: CPI 49.7%; WPI 20.1%).

Figure 27. Trends in Food Inflation (%YoY)



Source: Office of the Economic Advisor, Citi Research

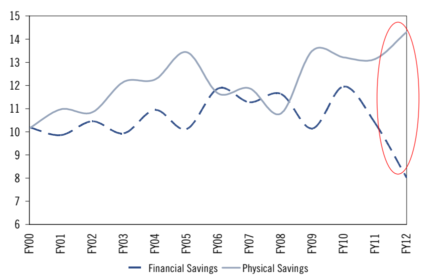
Food Inflation – Interesting Takeaways from the CACP

In a recent paper, the Committee on Agricultural Costs and Prices (CACP) attributed the persistence of food inflation averaging ~10% since FY08-09 to (1) rising deficits, (2) rising farm wages and (3) transmission of global food inflation. To rein in food inflation, the CACP recommends (1) rationalisation of subsidies to direct beneficiaries (2) increasing labor productivity on farms - through mechanization, (3) insulating against effect of global food inflation – through stable trade policies with moderate duties of 5-10% (4) preventing huge losses in supply chains by improving the 'supply response' in agriculture.

In this connection, in its latest policy, the RBI, while acknowledging ebbing inflationary pressures due to lower commodity prices/pricing power, expressed concern on upward revision in support of prices and its impact on food prices. The Econ Survey too, released earlier this year, highlights the need for supply-side measures such as incentivizing food production and facilitating storage/distribution to bring down food inflation.

Inflation-indexed Bonds – Could Help Incentivize Savings

Figure 28. Trends in Financial and Physical Savings (% to GDP)



Source: CSO

In order to revive financial savings, the FM in his budget speech proposed the introduction of inflation-indexed bonds (IIB), which would protect savings from inflation. These bonds are meant to incentivize household savings towards the financial sector, and away from physical assets like gold. A quick re-cap, given sticky inflation over the past ~3 years and better returns on alternate assets like gold/real estate, financial savings have fallen to 8% of GDP in FY12 vs. 10.4% in FY11 and 12% in FY10 (for details see [Savings Update]).

As per news reports, the RBI is likely to issue these bonds in the coming months. Key features include: (1) IIB will be similar to government securities in method of issue, auction and selling. (2) they could have tenor of 7-15 years, (3) both principal and interest will be linked to the WPI and indexation would occur every six months and (4) they are likely to target both retail and institutional investors.

What to Watch – Rates Surprise

In line with expectations, the RBI in its March 19 policy cut the repo rate by 25bps to 7.50%, while its guidance on rates was muted, wherein it indicated "***the headroom for further monetary easing remains quite limited".***

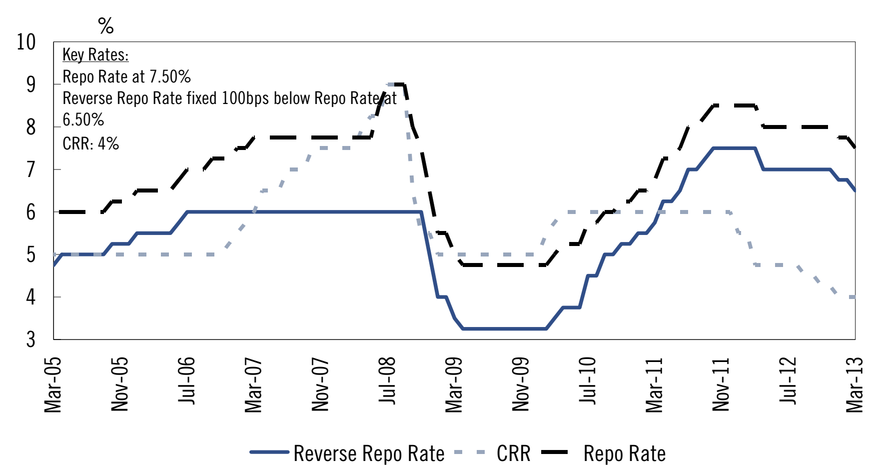
Given elevated levels of CPI (10.4%) and the CAD, we are currently maintaining our view of a 25bps cut in the RBI's May 3 policy, followed by a pause. However, odds of higher rate cuts are rising on account of

- Lower commodity prices – both oil and gold which will not only have a positive impact on inflation but also on the fisc and current account.
- Decreasing core inflation – the Econ Survey says " to the extent that the primary component of CPI is food prices, the textbook prescription is for the RBI to look through higher food prices…and set monetary policy based on core inflation". The RBI's upcoming policy on May 3 is key to watch.

Quick Recap of 2012/13 Policy Actions

- **Repo – cut 100bps to 7.50%**
- **CRR – cut five times to 4%**
- **SLR cut 100 bps to 23%**

Figure 29. Trends in Rates (%)



Source: RBI

Fiscal Indicators

Deficit – Could we See an Encore for FY14 Targets?

The FM did keep his word on fiscal targets, with the deficit in FY13 coming in at 5.2%, marginally below his 5.3% target. Going forward for FY14, the 4.8% budget arithmetic is based on nominal GDP growth of 13.4%, total receipts of 23.4% and expenditures up 16.4% - which at first glance appear optimistic. However, similar to efforts taken to rein in the deficit in FY13, we could see efforts to minimize slippages which could arise from the revenue side.

Revenues: Targets dependent on Upturn in Growth and Markets

Tax Collections: The budget has estimated a 19.1% increase in gross tax collections. Given that the tax structure has been broadly unchanged, these targets are dependent on a pick-up in growth.

Divestments: The overall revenue estimates are dependent on a Rs558bn divestment target. While a fast glance this looks optimistic, key to note is that the govt is not only looking at plain vanilla divestments but also through: (1) **new instruments** such as Exchange Traded Funds (2) **dissolution of SUUTI** (Specialized Undertaking of UTI), which would entail the govt selling its shares in key blue-chips and (3) **"use it or lose it"** policy for cash-rich PSUs, who could be asked to either invest their excess cash, or pay it as dividends to the govt

Telecom Revenues: While this is pegged at Rs400bn, key to note that Rs200bn are the annual license fees, while the budgeted auction amount is Rs200bn.

Expenditure: Could Plan once again Get the Axe?

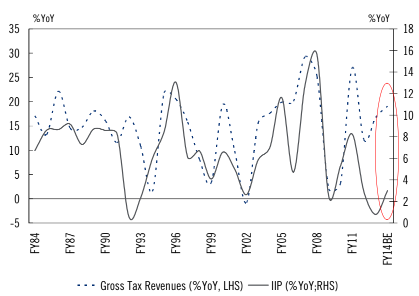
The budget has estimated a 16.4% rise in expenditures to a high of Rs16 trillion, led by a 29.4% rise in plan expenditure and a 10.8% rise in non-plan expenditure. While expenditures normally tend to rise in a pre-election year, the situation may be a bit different given the ratings constraint. Moreover, similar to last year, the govt could once again compress plan spending to meet its targets.

Figure 30. Budget Snapshot (Rs bn)

Rs bn	FY13 BE	FY13 RE	FY14 BE	%Inc
a. Revenue receipts	**9,357**	**8,718**	**10,563**	**21.2**
Tax revenues	7711	7421	8841	19.1
Non-tax	1646	1297	1723	32.8
b. Non-debt receipts	**417**	**381**	**665**	**74.6**
Recoveries of loans	116	141	107	-24.3
Divestments	300	240	558	132.6
c. Total rcpts (a+b)	**9,773**	**9,099**	**11,228**	**23.4**
d. Rev Expenditure	**12,861**	**12,631**	**14,362**	**13.7**
of which interest (1)	3198	3167	3,707	17.1
f. Cap expenditure	**2,048**	**1,678**	**2,291**	**36.6**
h Plan Expend	5,210	4,292	5,553	29.4
i. Non-plan Exp	9,699	10,016	11,100	10.8
j. Total E (d+f) =(h+i)	**14,909**	**14,308**	**16,653**	**16.4**
j. Fiscal Balance (c-j)	-5,136	-5,209	-5,425	
% to GDP	-5.1	-5.2	-4.8	

Source: Budget Documents

Figure 31. Trends in Tax Collections + IIP



Source: Budget; CSO

Figure 32. Trends in Expenditure (Rs bn)

	FY08	FY09	FY10	FY11	FY12	FY13RE	FY14BE
Plan Expenditure (1+2)	**2,051**	**2,752**	**3,034**	**3,790**	**4,124**	**4,292**	**5,553**
%YoY	**20.7**	**34.2**	**10.2**	**24.9**	**8.8**	**4.1**	**29.4**
1. Central Assistance to States and UTs	616	771	845	931	1040	1120	1363
2. Gross Budgetary Support	1,435	1,982	4,269	2,860	3,084	3,172	4,191
of which : Econ Services	822	1,131	1,282	1,689	1,734	1,619	2,192
Rural Development	199	403	386	421	376	356	428
Transport	288	302	446	617	649	552	734
General Economic Services	32	54	40	137	197	210	316
Social Services	604	843	895	1,157	1,296	1,494	1,906
Education, Art and Culture	242	312	332	463	523	522	617
Health and Family Welfare	129	160	176	207	231	224	294
Water Supply, Housing , Urban Dev.	140	220	239	275	268	262	359
Non-Plan Expenditure	**5,076**	**6,087**	**7,211**	**8,183**	**8,919**	**10,016**	**11,100**
%YoY	**22.7**	**19.9**	**18.5**	**13.5**	**9.0**	**12.3**	**10.8**
Of which : Interest Payments	1,710	1,922	2,131	2,340	2,732	3,167	3,707
Defense	917	1,143	1,418	1,541	1,709	1,785	2,037
Subsidies	709	1,297	1,414	1,734	2,179	2,577	2,311
Pensions + Police	382	528	821	847	943	1,010	1,116
Grants + Non-Plan Capex	850	469	585	757	652	692	1113
Other (General,Social,Econ Services)	507	728	843	963	705	786	817
TOTAL EXPENDITURE	**7,127**	**8,840**	**10,245**	**11,973**	**13,044**	**14,308**	**16,653**
%YoY	**22.2**	**24.0**	**15.9**	**16.9**	**8.9**	**9.7**	**16.4**

Source: Budget Documents

What to Watch – Fuel Subsidies to Trend Lower

Figure 33. Subsidy Components (Rs bn)

	FY11	FY12	FY13RE	FY14BE
Food	638	728	850	900
Fertilizer	623	700	660	660
Fuel	384	685	969	650
Total	**1,734**	**2,179**	**2,577**	**2,311**
%YoY	22.7	25.7	18.2	-10.3
%GDP	2.2	2.4	2.6	2.0

Source: Budget Documents

Thanks to the likelihood of structurally lower crude prices as well as domestic fuel price reform, another ray of light on the macro is the lower trend in fuel subsidies.

Fuel Reforms: The incremental fuel price reform momentum seen since Sept 12 has been significantly better than expectations. Following the 12% hike in diesel prices last Sept, the govt (1) authorized oil marketing companies (OMCs) to raise diesel prices by Rs0.5/ltr per month till losses are nullified, (2) bulk users of diesel (~16% of total consumption) will henceforth have to pay market prices. As seen below this is key given that diesel used to account for ~65% of total underrecoveries.

Fuel Subsidy: Saurabh Handa, our oil and gas analyst, estimates gross underrecoveries at Rs1180bn. If crude averages US$10/bbl lower, this could come off to Rs800bn, which in turn would reduce the govt's share. However, key to note is that the FY14 budget has estimated oil subsidies at Rs650bn vs Rs969bn in FY13. Of this, arrears for FY13 are Rs500bn

Budget outlay on fuel subsidies for FY14 is Rs650bn;

Arrears for FY13 stand at ~Rs500bn.

SENSITIVITY ANALYSIS on LOSSES

US$1/bbl change = Rs40bn

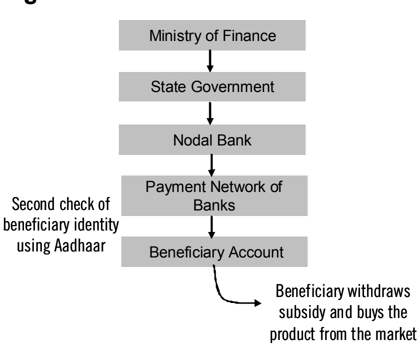
USD/INR change = Rs80bn

Figure 34. Subsidy Sharing Mechanism

	FY09	FY10	FY11	FY12	FY13E	FY14E	FY15E
Gross under-recoveries	**1,033**	**461**	**782**	**1,385**	**1,673**	**1,180**	**900**
Diesel	575	144	365	812	959	484	183
LPG	176	143	220	300	391	370	388
Kero	282	174	197	273	323	326	329
Less: upstream sharing	**329**	**144**	**303**	**550**	**602**	**637**	**659**
% of Total		31%	39%	40%	36%	54%	73%
Less: oil bonds/cash	**713**	**260**	**410**	**835**	**1072**	**543**	**241**
% of Total		56%	52%	60%	64%	46%	27%
Net under-recoveries	-9	56	69	0	0	0	0
Brent Crude (US$/bbl)	**85**	**71.5**	**87**	**115**	**110**	**110**	**110**
USD/INR		47.5	45.6	48	54	54	54

Source: Citi Research

Figure 35. Cash Transfers



Source: Ministry of Finance

Direct Benefit transfers: An important recent development in the direct benefit transfer system (DBT) is that LPG subsidies would be transferred using DBT, with cylinders being sold at only one price at dealers' shops. This will significantly reduce leakages and inefficiency by simplifying the process of obtaining a key subsidized product. The government has also urged banks to ensure that ~78 districts have adequate banking structure by the end of May 2013 so that the scheme expansion can continue. In addition to this, the transfer system would be expanded to include post offices from October 2013.

A quick re-cap, the Aadhaar-enabled direct benefit-transfer system started on Jan 1 2013 in ~20 districts and is expected to cover the entire country by April 2014. The system would reduce corruption and transaction costs in the welfare payment process. Areas it would cover are subsidies, NREGA payments, pensions, scholarships, and healthcare (please see India Macroscope - Right Turn, but Speed is Key for more details).

External Sector

Capital Raising to Remain a Priority

What's Done So Far? Over the last 12-15 months, India's elevated CAD at 5% of GDP is a top concern for all policymakers and key on the radar for investors (see *Asia Trip Notes*). As mentioned earlier, policy makers are aware of the gravity of the problem, as reflected in Governor Subbarao's recent comments on the level, the quality and financing of the CAD. Over the last few months, officials have taken several steps to boost dollar inflows including (1) de-regulating NRI deposit rates, (2) relaxing ECB norms, (3) increasing FII debt limits, (4) liberalization of FDI, (5) postponement of GAAR, and (6) higher duties on gold.

New rules for FII's — The latest easing pertains to the much-awaited simplification of norms for Foreign Institutional Investors (FII's) investing via the debt route. While the overall cap/ceiling on investment remains unchanged (US$76bn), the govt has removed the sub-limit restrictions for different categories. Effective April 1, there will only be two ceilings – a US$25bn limit for investment in government securities and a US$51bn sub-limit for corporate bonds. The simplification of rules will increase flexibility for foreign investors to invest in the Indian fixed-income market and should result in higher dollar inflows. (A quick re-cap, due to various restrictions, FII investment in rupee bonds currently stands at US$33bn).

Figure 36. FII Debt Utilized (US$bn, Rsbn)*

	Limit $bn	Limit (Rs bn)	Done (Rs bn)
GOVERNMENT			
Govt Debt - Old	10	462	390
Govt Debt - Long Term	15	782	439
CORPORATE			
Non-infra bonds, CP (old)	20	998	844
Non-infra bonds	5	269	81
QFIst - Old (QFIs)	1	55	4
INFRASTRUCTURE			
QFI investment in debt MF which invest in infra	3	135	
Corp debt long term infra	12	538	144
Investment in IDF	10	448	
Upper tier-II	0.5	23	
Total	**76.5**	**3711**	**1901**

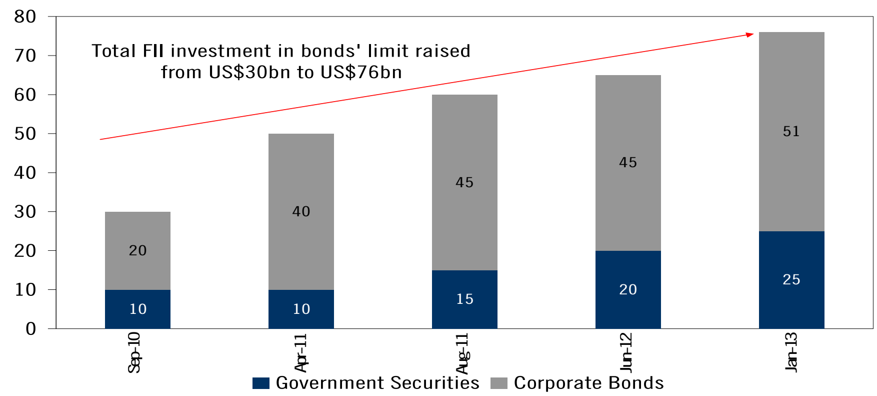
*Data as of 30 Mar 2013, Source: SEBI; Citi Research

FII CEILINGS RAISED OVER TIME

Over the last two years, the gov't has increased the ceiling on FII investments in rupee bonds from US$30bn to US$76.5bn currently.

However, due to various restrictions, FII investment in rupee bonds currently stands at US$33bn.

Figure 37. Trends in FII Investment Ceiling for Debt (US$bn)*



* includes Old Corporate Debt, excludes Upper-tier II category; Source: RBI, SEBI

What Could Be Next? Given the elevated levels of the CAD, we expect to see further measures aimed at enhancing capital flows. These include (1) higher FDI limits, (2) possible commercial bond issuance similar to the IMD/RIB, and (3) further incentives (tax) for the bond market. **Bottom Line:** Given India's financing needs, we expect capital raising to be a key priority (see *India Macroscope –The Capital Question*, Jan16, 2013).

Figure 38. Key RIB and IMD Bond Details

	Resurgent India Bond (RIB)	India Millennium Deposit (IMD)
Date of Issue	Aug-1998	Oct-2000
Amt. Raised (US$bn)	**4.2**	**5.5**
Coupon Rate (%)		
US$	7.75	8.5
GBP	7.85	8
Euro	6.25 (DM)	6.85
Spread over Libor	**2.5**	**1.75**

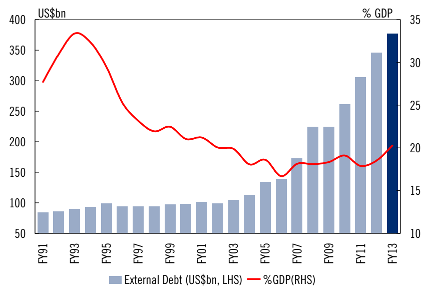
Source: Citi Research

External Debt – Changing Composition Adds Pressure

Latest data released by the RBI peg India's total external debt stock at US$376bn as of Dec 12, up from US$345.5bn at end FY12. This was on account of both short-term and long-term debt. Vulnerability indicators also point to deterioration: (1) ST debt to total debt (original maturity) now stands at 23% and (2) FX Reserves to total debt is down to 69.6% from 130% in FY08.

Added to this is the changing composition of debt where the public sector, as reflected in multilateral/bilateral debt, has been coming off, while private sector debt – external commercial borrowings, trade credit and NRI deposits – has been increasing. Consequently, as seen in the BoP data, there has been a sharp increase in investment income outflows – primarily led by higher interest payments – a result of growing recourse to external sources of financing. This is taking a toll on invisible earnings, which in the past provided a substantial cushion to the rising trade deficit.

Figure 39. Trends in External Debt (US$bn)



Source: RBI; Ministry of Finance

Figure 40. Trends in External Debt (US$bn)

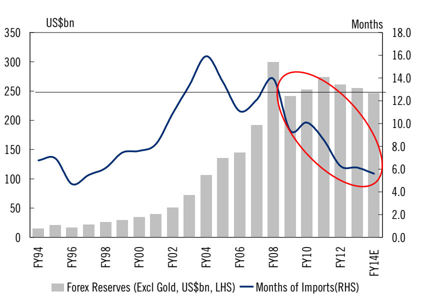
	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13*
Multilateral	31.7	32.6	35.3	39.5	39.5	42.9	48.5	50.5	51.6
Bilateral	17.0	15.8	16.1	19.7	20.6	22.6	25.7	26.9	26.3
IMF	1.0	1.0	1.0	1.1	1.0	6.0	6.3	6.2	6.1
Trade Credit	5.0	5.4	7.2	10.3	14.5	16.8	18.6	19.0	18.5
Commercial Borrowing	26.4	26.5	41.4	62.3	62.5	70.7	88.5	104.8	113.0
NRI Deposits (>1 year)	32.7	36.3	41.2	43.7	41.6	47.9	51.7	58.6	67.6
Rupee Debt*	2.3	2.1	2.0	2.0	1.5	1.7	1.6	1.4	1.3
Total Long term debt	**116.3**	**119.6**	**144.2**	**178.7**	**181.2**	**208.6**	**240.9**	**267.3**	**284.4**
NRI Deposits (1 yr)	-	-	-	-	-	-	-	-	-
FII Invst in T-Bills	1.5	0.1	0.4	0.7	2.1	3.4	5.4	9.4	7.4
Others (trade related)	16.3	19.4	26.0	41.9	39.9	47.5	58.5	65.1	80.9
Other	-	-	1.8	3.2	1.3	1.5	1.1	3.7	3.6
Total Short term debt	**17.7**	**19.5**	**28.1**	**45.7**	**43.3**	**52.3**	**65.0**	**78.2**	**91.9**
GROSS TOTAL	**134.0**	**139.1**	**172.4**	**224.4**	**224.5**	**260.9**	**305.9**	**345.5**	**376.3**

*Apr-Dec12; Source: Ministry of Finance, RBI

What to Watch – Rs54-56 INR Trading Range

Factors Supporting the Rs54-56 Trading Range: Despite a cooling off in commodity prices, India's CAD is high. However, the RBI appears to have enough ammunition to attract capital flows, including further liberalizing the window under external commercial borrowings, increasing FII debt limits for bonds and the possibility of a commercial bond issuance similar to the Resurgent India Bonds/India Millennium Deposits issued in 1998 and 2000 respectively.

Figure 41. Trends in FX Reserves/Imports



Source: RBI; Citi Research

What Could Change the Picture?

- **Domestic Factors:** The reforms seen since Sept 12 have increased investor appetite. Uncertainty in the run-up to elections and/or chatter of early elections could in turn temper investor interest.

- **Global Liquidity Conditions:** The easy global liquidity environment has led to higher inflows despite a poor macro backdrop. Given the economy's dependence on capital flows, the unit has a high beta in terms of global risk appetite.

- **Ratings Downgrade:** The probability of a ratings downgrade has reduced following reforms. However, agencies continue to watch India closely.

Politics

Political Update

Despite the encouraging reform momentum, politics continues to face some setbacks. The latest involves the DMK, a key ally, withdrawing its support from the UPA government. Following the DMK withdrawal (for details please see DMK withdrawal + more), the government is in a minority in both houses. This minority status has some key implications:

1. The outside support which the government receives from parties like SP and BSP is now even more crucial.

2. Increased chatter of early elections

3. Talks of formation of a 'Third Front'

However, the opposition parties also appear to have their own set of woes. In addition to concerns over leadership issues in the NDA, The Janata Dal (U), which is currently part of the opposition, has indicated that it could shift its allegiance in the next election if its state, Bihar, receives "special status". Special status would help enhance private investment and increase central funding for the state towards infrastructure and development.

Going forward, weak numbers of the government in Parliament could slow down reform momentum. This was evident during the Monsoon Session when there were multiple disruptions due to the coal controversy, as well as during the winter session when non-parliamentary approval issues like FDI in retail took up a large amount of time.

Figure 42. Upcoming State Elections

State	Ruling Party	Seats LS	Seats RS	Date
Karnataka	BJP	28	12	Jun-13
Madhya Pradesh	BJP	29	11	Dec-13
Mizoram	Congress	1	1	Dec-13
NCT Delhi	Congress	7	3	Dec-13
Rajasthan	Congress	25	10	Dec-13
Chattisgarh	BJP	11	5	Jan-14

Source: PRS, Election Commission

Figure 43. Current Composition of the Lok Sabha – Lower House

UPA Party	Seats	OPPOSITION Party	Seats
Indian National Congress(INC)	203	Bharatiya Janata Party(BJP)	115
Nationalist Congress Party(NCP)	9	Janata Dal (United) (JD(U))	20
J&K National Conference(JKNC)	3	Shiv Sena(SS)	11
Indian Union Muslim League(IUML)	2	Shiromani Akali Dal(SAD)	4
Rashtriya Lok Dal(RLD)	5	Telangana Rashtra Samithi(TRS)	2
Others/ Independents	13	Biju Janata Dal(BJD)	14
A. UPA (Excl DMK)	**235**	AIADMK	9
		Telugu Desam Party(TDP)	6
Supporting Parties		Janata Dal (Secular)(JD(S))	3
Samajwadi Party(SP)	22	**Trinamool Congress (TMC)**	**19**
Bahujan Samaj Party(BSP)	21	**DMK**	**18**
Rashtriya Janata Dal(RJD)	3	Jharkhand Vikas Morcha (JVM (P))	2
B. Total Outside Support	**46**	Left Demo. Front	25
		Others	11
UPA incl. Outside Support (A+B)	**281**	**Total Opposition**	**259**
Seats needed for majority	**271**	**TOTAL LOK SABHA**	**540**

Source: www.loksabha.nic.in

Figure 44. Current Composition of the Rajya Sabha – Upper House

UPA Party	Seats	OPPOSITION Party	Seats
Indian National Congress(INC)	71	Bharatiya Janata Party(BJP)	49
Nationalist Congress Party (NCP)	6	Janata Dal (United) (JD(U))	9
J&K National Conf (JKNC)	2	Shiv Sena(SS)	4
Rashtriya Lok Dal(RLD)	5	Shiromani Akali Dal(SAD)	3
A. UPA (Excl DMK)	**84**	India National Lok Dal (INLD)	1
		Biju Janata Dal(BJD)	7
Supporting Parties		Asom Gana Parishad (AGP)	2
Samajwadi Party(SP)	9	Telugu Desam Party (TDP)	5
Bahujan Samaj Party(BSP)	15	AIADMK	5
Rashtriya Janata Dal(RJD)	2	Left Parties	12
Bodoland People's Front (BPF)	1	**Trinamool Congress (TMC)**	**9**
Lok Janasakti Party (LJP)	1	**DMK**	**7**
Mizo National Front (MNF)	1		
Nagaland People's Front (NPF)	1	**Total Opposition**	**113**
B. Total Outside Support	**30**	Nominated	10
		Other Parties/ Independents	7
UPA Incl. Outside Support(A+B)	**114**	**TOTAL RAJYA SABHA**	**244**

Source: www.rajyasabha.nic.in

India's Political Journey

Tracing India's political journey indicates India has had coalition government for over two decades. During this time one has witnessed examples of shifting alliances, withdrawal of external support, minority governments, and early elections.

The current political scenario is reminiscent of past coalitions – the DMK and TMC have withdrawn from the government, the UPA is in a minority in both houses, and there is chatter of early elections.

(For more details on the Indian political system, please see Politics and Macro.)

Figure 45. India's Political Journey

Year of Election	Government	Major Party / Alliances	External Support	Prime Minister
1951	Indian National Congress (INC)	INC		Jawaharlal Nehru
1957	INC	INC		Jawaharlal Nehru
1962	INC	INC		Jawaharlal Nehru
1967	INC	INC		Indira Gandhi
1971	INC	INC		Indira Gandhi
1977	Lok Dal (Janata Secular)	Janata Party/ CPI(M), SAD		Morarji Desai
1980	INC	INC / DMK, J&K NC, IUML		Indira Gandhi
1984	INC	INC/ DMK, IUML		Rajiv Gandhi
1989	National Front (NF)	Janata Dal/ DMK, TDP	BJP, Left Front	V.P.Singh
1991	INC	INC/ Left Parties		P.V Narsimha Rao
1996	United Front (UF)	Janata Dal / Left Front, Tamil Manila Cong, DMK	INC	H.D Deve Gowda/IK Gujral
1998	National Democratic Alliance (NDA)	BJP/AIADMK		Atal Bihari Vajpayee
1999	NDA	BJP/ JD(U), Shiv Sena, DMK, BJD, TMC, SAD	Telugu Desam Party	Atal Bihari Vajpayee
2004	United Progressive Alliance (UPA)	INC / RJD, DMK, NCP, etc	BSP, SP, Kerala Cong, Left Front	Manmohan Singh
2009	UPA	Congress / NCP	BSP, SP, JD(s)	Manmohan Singh

Source: Election Commission, News Reports

Policy Re-Cap

Figure 46. Parliament Session Calendar

Session	Start	End
Budget Session	21-Feb-13	10-May-13
Monsoon Session	August'13	September'13
Winter Session	November'13	December'13

Source: PRS

Since Sept 12, the govt and the FM have delivered significantly on policy reforms (in absolute terms, and against low expectations) – and the markets have responded warmly. Focus is now on the remainder of the Budget Session – parliament resumes on April 22 and will be in session until May 10. Key reforms that require parliamentary approval include (1) the Land Acquisition Bill, (2) FDI in pensions and insurance, (3) Food Security Bill.

However, key to note is that most of the issues related to the investment slowdown are largely execution-related and thus can be addressed even when the parliament is not in session. In this context, recent steps towards the partial de-regulation of sugar are encouraging.

Sugar Decontrol – A quick recap: The government has announced partial decontrol of the sugar sector, following recommendations placed by the Rangarajan Committee. Key measures announced include: (1) sugar mills are freed from the obligation to supply 10% of their product to the PDS at a discounted price – this will be valid for two years, and is estimated to result in savings of ~Rs30bn for the sugar industry. (2) The "ex-mill" sugar price for the PDS will be capped at Rs32/kg – the sugar subsidy will be calculated at this maximum purchase price.

Figure 47. Reforms – What's Announced and Pending

Announced / Passed Reforms	Key Features
Fuel Price Hike	Diesel price raised by Rs 5/ltr, Subsidised LPG cylinders capped at 6/household
Fuel Price Hike pt II	Bulk users to pay market price, phased hike proposed, LPG cap raised to 9
FDI	
Multi-Brand Retail	51% FDI permitted subject to State approval
Single- Brand Retail	FDI beyond 51% requires 30% sourcing locally from MSMEs,cottage industries etc.
Broadcasting Services	74% FDI allowed in teleports,mobile tv and sky broadcasting services
Power Exchanges	49% FDI allowed
Civil Aviation	49% FDI in scheduled and non-scheduled air transport services
Divestment in PSUs	Divestment proceeds of approximately Rs 150 bn
Competition Bill	All sectors under the purview of competition law, merger of weak/ failing banks excluded
Enforcement of Security Interest and Debt Recovery Bill	Amends the process for recovery of secured loans
Banking Laws (Amendment) Bill	Addresses issues on capital raising, voting rights, mandatory approval from RBI for acquiring 5% + stake
SEB loan restructuring	US$38bn of loans restructured/ converted to state debt
Overseas Loans - Infrastructure	Witholding tax lowered from 20% to 5%
Companies Bill (Amendments)	Ensures more transparent corporate governance
Urea Price Hike	Price raised by Rs 50pmt.
Govt. UTI sale in select Stocks	Stock sales could raise a total holding ~Rs 440bn
Rail hike	Across the board hike in Passenger fares
Import duty on gold & platinum	Import duty on gold and platinum hiked to 6%
Pending Reforms	**Key Features**
Land Acquisition Bill	For commercial land acquisition, and rehabilitation
National Food Security Bill, 2011	Provides for food and nutritional security by providing specific entitlements to certain groups
Public Procurement Bill, 2012	Regulate public procurement to further transparency, accountability, and probity in the procurement process
Mines and Minerals Bill, 2011	Consolidates and amends the law relating to the scientific development and regulation of mines and minerals
Goods and Services Tax (GST)	Landmark Change - for efficiency, GDP and tax collections
Direct Taxes Code (DTC)	A simplified Tax platform
FDI	
Insurance	49% FDI allowed, public sector insurance cos can get listed w government stake at at least 51%
Pension	49% FDI, has one term 'return scheme' action,gives statutory power to regulatory authority

Source: PRS, News Reports

Monthly Monitor

Figure 48. India — Key Monthly Indicators (percent change from a year ago unless otherwise stated)

	Jan12	Feb12	Mar12	Apr12	May12	Jun12	Jul12	Aug12	Sept12	Oct12	Nov12	Dec12	Jan13	Feb13
Consumption Trends														
Two-Wheelers	13.6	12.0	8.0	10.8	11.2	9.2	7.2	-4.8	-13.3	12.0	1.0	4.1	8.4	-2.8
Passenger Car Sales	6.3	11.8	18.4	3.4	2.8	8.6	7.3	-18.2	-5.1	24.5	-7.5	-11.4	-11.5	-25.0
Commercial Vehicle Sales	15.0	20.0	16.4	5.6	10.1	4.7	1.2	3.9	0.1	8.0	-7.3	-13.0	-9.5	-11.1
LCV	16.9	34.0	35.6	18.2	26.5	19.3	12.7	13.3	11.6	31.9	9.4	5.9	14.2	6.6
MHCV	12.7	5.3	-1.3	-11.6	-10.6	-13.4	-14.6	-8.8	-14.6	-22.9	-33.1	-38.3	-38.9	-34.7
Investment Trends														
Infrastructure Index	2.1	7.7	3.0	2.3	3.7	4.9	1.2	2.6	4.8	4.2	2.0	2.5	3.1	-2.4
Cement Dispatches	9.9	10.7	7.2	6.2	12.8	8.7	1.1							
Diesel Consumption	7.5	11.7	10.8	7.9	9.3	13.6	14.1	10.9	7.4	6.8	1.6	4.3	7.9	-2.1
Steel Production	1.5	0.0	11.0	5.2	3.5	5.9	-1.2	7.9	-2.9	2.7	4.1	4.8	13.4	-7.8
Manufacturing PMI*	57.5	56.6	54.7	54.9	54.8	55.0	52.9	52.8	52.8	52.9	53.7	54.7	53.2	54.2
Output	55.8	62.9	56.3	56.1	56.4	58.5	54.7	52.7	53.2	52.7	55.4	57.7	54.0	56.3
New Orders	57.9	62.2	58.1	61.1	59.6	58.5	54.9	54.3	54.4	54.9	55.8	58.0	55.9	56.3
Industrial Production Index														
General	1.0	4.3	-2.8	-1.3	2.5	-2.0	-0.1	2.0	-0.7	8.4	-1.0	-0.5	2.4	0.6
Manufacturing	1.1	4.1	-3.6	-1.8	2.6	-3.2	0.0	2.4	-1.6	9.9	-0.8	-0.7	2.5	2.2
Mining	-2.1	2.3	-1.1	-2.8	-0.7	-1.1	-3.5	-0.3	2.2	-0.2	-5.5	-3.4	-2.2	-8.1
Electricity	3.2	8.0	2.7	4.6	5.9	8.8	2.8	1.9	3.9	5.5	2.4	5.2	6.4	-3.2
Use Based Basic Goods	1.9	7.6	1.1	1.9	4.4	3.6	1.0	3.0	2.7	4.3	1.1	1.8	3.2	-1.8
Capital goods	-2.7	10.5	-20.1	-21.5	-8.6	-27.7	-5.8	-4.4	-13.3	7.0	-8.5	-0.6	-1.7	9.5
Intermediate goods	-2.5	1.0	0.0	-1.8	3.4	0.9	0.1	2.7	1.7	9.6	-1.4	0.7	2.5	-0.7
Consumer goods	2.5	-0.4	1.1	3.7	4.4	3.7	0.7	3.6	0.0	13.8	-0.3	-3.6	2.8	0.5
Consumer Durables	-7.5	-6.2	1.2	5.4	9.7	9.1	0.8	1.0	-1.5	16.7	1.1	-8.2	-0.8	-2.7
Consumer Non-Durables	10.6	4.4	1.0	2.3	-0.1	-0.5	0.6	6.0	1.4	11.2	-1.5	-0.4	5.3	2.9
Services														
Major Port traffic	-5.7	-6.2	-8.5	-6.5	-5.7	-5.0	-2.9	2.0	-2.1	0.1	-3.3	-4.9	-1.0	1.0
Railway freight	5.4	9.0	5.6	3.5	5.6	5.3	3.1	3.5	8.2	8.0	0.8	1.6	6.4	-0.2
Tourist arrivals ('000)	681	677	623	452	372	432	525	456	415	576	690	750	699	688
Cellular subscriber Adds (Mn)	9.9	8.6	8.1	6.8	8.4	-0.3	-20.6	-5.0	-2.1	-1.8	-13.6	-25.9	-2.3	-1.5
Banking Trends														
Money supply(M3)	14.7	13.7	12.9	13.0	13.3	15.6	13.7	13.9	13.4	13.1	13.6	11.2	12.9	12.4
Loan(Credit) growth	16.7	15.6	16.6	18.0	17.8	18.6	17.3	17.6	15.7	16.2	17.9	15.0	16.1	20.0
Deposit growth	16.4	14.6	13.6	13.6	14.1	16.0	13.9	15.1	13.6	13.8	13.7	11.0	13.1	16.0
Non-food credit	16.1	15.4	16.8	16.8	17.2	18.3	16.9	17.4	15.4	13.8	17.5	14.8	15.8	19.8
Inflation														
CPI	7.6	8.8	9.4	10.3	10.4	9.9	9.9	10.0	9.7	9.8	9.9	10.6	10.8	10.9
WPI	7.2	7.6	7.7	7.5	7.5	7.6	7.5	8.0	8.1	7.3	7.2	7.3	6.6	6.8
Manufactured Products	6.7	5.8	5.2	5.3	5.2	5.4	5.9	6.4	6.5	5.9	5.4	5.0	4.8	4.5
Primary Products	2.8	7.1	10.4	9.6	10.3	9.7	10.5	11.2	9.2	7.8	9.6	10.6	10.3	9.7
Fuel Index	17.0	15.1	12.8	12.1	11.5	10.3	8.4	8.7	12.0	11.6	10.0	10.2	7.1	10.5
Interest rates (Average, %)														
Call money rate	8.8	9.0	8.8	8.6	8.6	8.1	8.0	8.0	7.9	8.0	8.0	8.3	7.8	7.9
91-day T-Bills	8.7	9.1	9.0	8.4	8.4	8.3	8.2	8.2	8.1	8.1	8.2	8.2	7.9	8.0
Corp Bond Spreads (5y GOI-AAA)	1.0	0.9	0.9	0.8	0.9	1.1	1.4	1.2	1.3	1.1	0.9	1.0	1.17	1.11
10-year government bond	8.3	8.2	8.4	8.6	8.6	8.2	8.1	8.2	8.2	8.2	8.2	8.2	8.0	8.1
Trade - customs data														
Exports(%YoY)	11.8	8.4	-7.1	0.7	-6.3	-6.9	-13.8	-11.1	-9.1	-2.7	-6.4	-1.9	0.8	4.2
Imports(%YoY)	28.8	21.7	23.5	3.2	-8.2	-12.5	-1.3	-6.6	4.9	9.0	6.1	6.3	6.1	2.6
Oil	53.0	44.5	33.1	4.2	10.7	-14.9	6.7	3.0	31.6	43.5	17.2	23.6	6.9	15.5
Non-oil	18.8	13.0	18.4	2.7	-15.9	-11.4	-5.0	-11.0	-5.1	-4.0	1.0	-0.9	5.7	-3.6
Trade Deficit (US$bn)	-17.6	-15.2	-14.1	-14.2	-16.7	-11.0	-17.8	-15.3	-17.6	-21.9	-19.7	-17.7	-20.0	-14.9
Brent Prices ($/bbl)	111.6	119.1	124.4	120.5	110.2	95.9	103.1	113.4	113.7	112.0	109.6	109.7	112.8	116.7
Foreign investment (US$ mn)														
FII	5,087	7,164	387	-927	597	209	2,463	1,996	3,682	3,646	1,805	4,905	4,610	5,318
FDI	871	484	244	1,594	1,133	1,220	1,570	3,010	4,111	685	1,424	1,285	3,122	2,433
Exchange rate and reserves														
US$ exchange rate average	51.3	49.2	50.4	51.9	54.5	56.0	55.4	55.6	54.4	53.1	54.8	54.7	54.2	53.8
US$ exchange rate month end	49.5	49.0	50.9	52.7	56.1	55.6	55.7	55.5	52.9	53.8	54.5	54.8	53.3	53.8
Forex reserves incl.gold (US$bn)	293.9	295.0	294.4	295.4	288.3	290.0	288.6	290.5	294.8	295.3	294.5	296.6	295.7	291.9

* Values over 50 indicate expansion. ** Only GSM subscribers available: CSO, RBI, Ministry of Finance, Markit

Balance of Payments

Figure 49. Trends in Balance of Payments (US$bn)

	FY08	FY09	FY10	FY11	FY12	FY13E	FY14E	Comments
CURRENTACCOUNT								
Exports(RBI)	**166.2**	**189.0**	**182.4**	**256.2**	**309.8**	**303.6**	**333.9**	
Y/Y%	28.9	13.7	(3.5)	40.4	20.9	(2.0)	10.0	While a weak currency helps exports, the impact is muted
% of GDP	13.4	15.4	13.3	15.0	16.6	16.3	16.3	Due to changing composition and global slowdown
Exports–Customs*	**162.9**	**185.3**	**178.8**	**251.1**	**305.9**	**300.6**	**324.6**	
Y/Y%	28.9	13.8	(3.5)	40.5	21.8	(1.7)	8.0	
Imports(RBI)	**257.6**	**308.5**	**300.6**	**383.5**	**499.5**	**507.0**	**527.3**	
Y/Y%	35.1	19.8	-2.6	27.6	30.3	1.5	4.0	
%to GDP	20.8	25.2	22.0	22.4	26.8	27.3	25.7	
Imports-Customs*	**251.4**	**310.3**	**288.3**	**369.7**	**489.4**	**491.5**	**504.8**	
Y/Y%	35.4	23.4	-7.1	28.2	32.4	0.4	2.7	Crude at US$111/bbl in FY12, US$108/bbl in FY13,US$99/bbl
Of which Oil	79.6	93.7	87.1	103.9	155.0	169.3	160.0	in FY14
Y/Y%	39.9	17.6	-7.0	19.3	49.2	9.2	-5.5	**∆US$1/bbl in oil prices=US$900m impact on deficit**
Non-Oil	171.8	216.6	201.2	265.8	334.4	322.2	344.8	
Y/Y%	33.4	26.1	-7.1	32.1	25.8	-3.6	7.0	
Of which Gold	16.7	20.7	28.6	40.5	56.2	50.0	41.0	
Y/Y%	15.6	23.9	38.2	41.6	38.7	-11.1	-18.0	
a. Trade balance (RBI)	**-91.5**	**-119.5**	**-118.2**	**-127.3**	**-189.8**	**-203.4**	**-193.4**	Oil and Gold are key as they account for 40% of imports
% of GDP	-7.4	-9.8	-8.6	-7.4	-10.2	-11.0	-9.4	
Trade Balance(Customs)	-88.5	-125.0	-109.6	-118.6	-183.5	-190.9	-180.1	
Difference bet. RBI and Customs Data	-2.9	5.5	-8.6	-8.7	-6.3	-12.5	-13.3	Difference normally represents defense imports.
b. Invisibles	**75.7**	**91.6**	**80.0**	**79.3**	**111.6**	**108.2**	**108.5**	
Non-factor services	38.9	53.9	35.8	44.1	64.1	62.8	66.1	
Of which: Software Services	36.9	43.7	48.2	53.3	61.0	65.8	71.1	
Non-Software Services	1.9	10.2	-12.5	-9.2	3.1	-3.0	-5.0	
Investment income Outflows	-5.1	-7.1	-8.0	-18.0	-16.0	-20.0	-24.0	Rising Recourse to External Funding has resulted in more outflows
Remittances**	41.7	44.6	52.1	53.1	63.5	65.0	66.0	
Official transfers	0.2	0.2	0.3	0.0	0.0	0.4	0.4	
1.Current a/c balance (a+b)	**-15.7**	**-27.9**	**-38.2**	**-48.1**	**-78.2**	**-95.2**	**-84.9**	
% of GDP	-1.3	-2.3	-2.8	-2.8	-4.2	-5.1	-4.1	Current a/c improves vs FY13 but is still elevated
CAPITALACCOUNT								
c. Loans	**40.7**	**8.3**	**12.4**	**29.1**	**19.3**	**24.0**	**24.0**	Global developments could impact bank loans
External assistance	2.1	2.4	2.9	4.9	2.3	2.0	2.0	
Commercial borrowings***	22.6	7.9	2.0	12.2	10.3	12.0	12.0	
Short-term credit	15.9	-2.0	7.6	12.0	6.7	10.0	10.0	
d. FDI(Net=a-b)	**15.9**	**19.8**	**18.0**	**11.8**	**22.1**	**23.0**	**28.0**	Policy clarity will help FDI in FY14
(a)FDI-To India	34.7	37.7	33.1	29.0	33.0	35.0	43.0	
(b)FDI-Abroad	-18.8	-17.9	-15.1	-17.2	-10.9	-12.0	-15.0	
e. Portfolio Invst(FII+ADRs/GDRs)	**27.4**	**-14.0**	**32.4**	**30.3**	**17.2**	**25.0**	**23.0**	Reforms and proposed higher debt limits bode well for flows
f. Banking Capital	**11.8**	**-3.2**	**2.1**	**5.0**	**16.2**	**20.0**	**16.0**	
Of which NRI deposits	0.2	4.3	2.9	3.2	11.9	16.0	15.0	
g. Rupee debt service	**-0.1**	**-0.1**	**-0.1**	**-0.1**	**-0.1**	**-0.4**	**-0.4**	
h. Other capital****	**11.0**	**-4.0**	**-13.2**	**-12.4**	**-6.9**	**1.0**	**1.0**	
2.Capital a/c (c+d+e+f+g+h)	**106.6**	**6.8**	**51.6**	**63.7**	**67.8**	**92.6**	**91.6**	
Errors & Omissions	1.3	1.1	0.0	-3.0	-2.4	0.0	0.0	
Overall balance (1+2)	**92.2**	**-20.1**	**13.4**	**12.7**	**-12.8**	**-2.6**	**6.7**	
Forex								
Forex assets	299.1	241.6	252.8	273.7	260.9	258.2	264.9	
FCA to months of imports	13.9	9.4	10.1	8.6	6.3	6.1	6.0	
Exchange rate								
Rs/US$-annual avg	40.2	46.0	47.4	45.6	48.1	54.0	55.0	
%depreciation	-11.1	14.4	3.0	-3.8	5.5	12.3	1.9	

Source: Citi Research

Direction and Composition of Trade

Figure 50. India — Composition of Imports (US$bn, %)

	FY08	FY09	FY10	FY11	FY12	FY13*
Petroleum crude& products	79.7	91.5	86.8	105.8	154.9	141.5
% to total	31.9	30.6	30.2	28.6	31.7	34.6
% YoY	39.6	14.8	-5.1	21.9	44.6	
Capital goods	49.8	48.5	44.5	51.7	66.1	49.9
% to total	20.0	16.2	15.5	14.0	13.5	12.2
% YoY	61.9	-2.8	-8.2	16.3	20.9	
Gold & Silver	17.9	22.8	29.6	42.5	61.3	46.7
% to total	7.1	7.6	10.3	11.5	12.5	11.4
% YoY	22.1	27.8	29.8	43.4	54.1	
Pearls precious stones	7.3	16.6	16.2	34.6	30.5	19.0
% to total	2.9	5.5	5.6	9.4	6.2	4.7
% YoY	-2.0	126.5	-2.6	113.8	0.6	
Chemicals, related products	18.7	29.2	23.5	28.3	36.7	30.5
% to total	7.5	9.8	8.2	7.7	7.5	7.5
% YoY	34.8	56.7	-19.7	20.7	25.4	
Electronic Goods	20.2	23.4	21.0	26.6	32.6	25.8
% to total	8.1	7.8	7.3	7.2	6.7	6.3
%YoY	26.7	15.8	-10.3	26.6	24.2	
Food & related items	5.3	5.8	10.0	10.1	13.2	13.0
% to total	2.1	1.9	3.5	2.7	2.7	3.2
% YoY	8.8	8.3	72.9	1.4	30.1	
Other non-POL items	42.7	52.2	46.8	57.6	78.7	64.4
% to total	17.1	17.4	16.3	15.6	16.1	15.8
% YoY	26.2	22.4	-10.4	22.9	36.7	
Other commodities	5.8	6.8	6.7	9.0	11.4	14.4
% to total	2.3	2.3	2.3	2.4	2.3	3.5
% YoY	28.3	17.3	-0.5	33.8	18.0	
TOTAL IMPORTS	**249.8**	**299.3**	**287.6**	**369.4**	**489.3**	**408.6**
% YoY	35.0	19.8	-3.9	28.4	32.4	

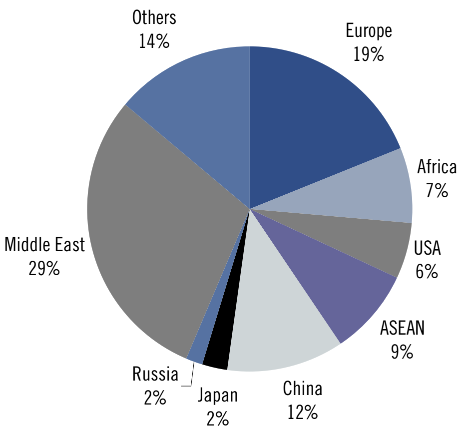
* Apr-Jan13 Source: CMIE ,RBI

Figure 51. India — Composition of Exports (US$bn, %)

	FY08	FY09	FY10	FY11	FY12	FY13*
Engineering goods	37.2	47.0	38.1	58.1	66.9	52.3
% to total	22.8	25.7	21.4	23.1	22.0	21.7
%YoY	26.4	26.3	-18.9	52.3	13.9	
Petroleum, crude prods	28.4	26.9	28.0	41.4	55.4	48.5
% to total	17.4	14.7	15.7	16.5	18.2	20.2
%YoY	52.0	-5.3	4.3	47.8	51.8	
Gems & Jewellery	19.7	28.0	29.0	40.5	46.9	34.8
% to total	12.1	15.3	16.3	16.1	15.4	14.5
%YoY	23.3	42.2	3.6	39.5	46.9	
Agri, allied products	18.4	17.6	17.7	24.2	37.4	34.1
% to total	11.3	9.6	10.0	9.7	12.3	14.2
%YoY	45.5	-4.8	1.1	36.4	53.0	
Chemicals & related	15.6	17.3	17.4	21.3	26.9	24.2
% to total	9.5	9.5	9.7	8.5	8.8	10.0
%YoY	28.3	11.3	0.4	22.7	27.9	
Textiles (incl RMG)	19.4	20.0	19.9	24.2	28.0	22.0
% to total	11.9	10.9	11.1	9.7	9.2	9.1
%YoY	11.9	3.2	-0.9	21.9	22.7	
Ores & minerals	9.1	7.8	8.7	8.6	8.1	4.4
% to total	5.6	4.3	4.9	3.4	2.7	1.8
%YoY	30.4	-14.4	11.0	-0.4	-18.4	
Other manuf goods	11.1	11.0	10.9	13.9	18.0	15.2
% to total	6.8	6.0	6.1	5.5	5.9	6.3
%YoY	11.7	-1.4	-0.7	27.6	29.6	
Other commodities	4.0	7.5	8.6	18.6	16.7	5.2
% to total	2.5	4.1	4.8	7.4	5.5	2.2
%YoY	30.5	86.9	15.2	115.0	-10.2	
TOTAL EXPORTS	**163.0**	**183.1**	**178.3**	**250.8**	**304.3**	**240.7**
% YoY	29.1	12.3	-2.6	40.6	21.3	

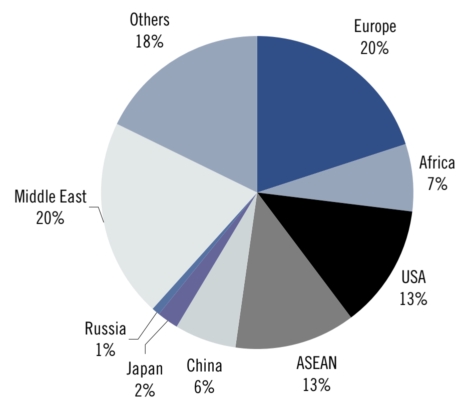
* Apr-Jan13 Source: CMIE ,RBI

Figure 52. Direction of Imports FY12



Source: DGCI&S, CMIE

Figure 53. Direction of Exports FY12



Source: DGCI&S, CMIE

Government Finances

Figure 54. Government Finances

	FY08	FY09	FY10	FY11	FY12	FY13RE	FY14BE	
a. Gross Tax Revenue	**5,931**	**6,053**	**6,245**	**7,931**	**8,892**	**10,380**	**12,359**	
% to GDP	11.9	10.8	9.6	10.2	9.9	10.4	10.9	**Revenues**
% YoY	25.3	2.0	3.2	27.0	12.1	16.7	19.1	Key Assumptions: Income Tax +20.5%,
Corporation tax	1,929	2,134	2,447	2,987	3,228	3,589	4,195	Customs +13.6%, Excise +14.9%,
Income tax	1,026	1,060	1,224	1,391	1,645	1,999	2,409	Corporate +16.9%, Service +35.8%
Excise duty	1,234	1,086	1,030	1,377	1,449	1,713	1,968	
Import duty	1,041	999	833	1,358	1,493	1,649	1,873	
Service tax	513	609	584	710	975	1,327	1,801	
b. (-) Devolvement to States & UTs	**1,536**	**1,620**	**1,680**	**2,232**	**2,594**	**2,959**	**3,518**	
c. Net tax revenues (a-b)	4,395	4,433	4,565	5,699	6,298	7,421	8,841	
d. Non tax revenues	1,023	969	1,163	2,186	1,217	1,297	1,723	
e. Net revenue receipts (c+d)	**5,419**	**5,403**	**5,728**	**7,885**	**7,514**	**8,718**	**10,563**	
f. Non-debt capital receipts	**439**	**67**	**332**	**353**	**369**	**381**	**665**	
Recovery of loans	51	61	86	124	189	141	107	
Divestments/Other	388	6	246	228	181	240	558	
g. TOTAL REVENUES (e+f)	**5,858**	**5,470**	**6,060**	**8,237**	**7,884**	**9,099**	**11,228**	
%YoY	**32.9**	**-6.6**	**10.8**	**35.9**	**-4.3**	**15.4**	**23.4**	
h. Revenue expenditure	5,945	7,938	9,118	10,407	11,458	12,631	14,362	**Expenditures**
Interest (1)	1,710	1,922	2,131	2,340	2,732	3,167	3,707	
Defense	543	733	907	921	1,030	1,089	1,169	
Subsidies	709	1,297	1,414	1,734	2,179	2,577	2,311	
Pensions	243	329	561	574	612	638	707	
Grants to States	358	382	459	498	515	579	770	Assume FY14 Fuel Subsidy at Rs650 bn
Admin and social services	647	927	1,107	1,198	1,053	1,147	1,265	vs Rs 969bn in FY13
Plan expenditure	1,736	2,348	2,539	3,142	3,337	3,434	4,433	
i. Capital expenditure	**1,182**	**902**	**1,127**	**1,566**	**1,586**	**1,678**	**2,291**	
Defense	2.4	1.6	1.7	2.0	1.8	1.7	2.0	
Loans	375	410	511	621	679	696	867	
Plan expenditure	315	405	495	648	786	858	1,121	
j. Plan expenditure	**2,051**	**2,752**	**3,034**	**3,790**	**4,124**	**4,292**	**5,553**	Plan expenditure slated to rise 29.4%
k Non Plan expenditure	**5,077**	**6,087**	**7,211**	**8,183**	**8,920**	**10,016**	**11,100**	Non-plan expenditure to rise 10.8%
l. TOTAL EXPENDITURE (h+i): (j+k)	**7,127**	**8,840**	**10,245**	**11,973**	**13,044**	**14,308**	**16,653**	
% YoY	**22.2**	**24.0**	**15.9**	**16.9**	**8.9**	**9.7**	**16.4**	
Deficit trends								
m. Fiscal Balance (g-l)	**-1,270**	**-3,370**	**-4,185**	**-3,736**	**-5,160**	**-5,209**	**-5,425**	
% to GDP	-2.5	-6.0	-6.5	-4.8	-5.7	-5.2	-4.8	
n. Revenue Balance (e-h)	**-526**	**-2,535**	**-3,390**	**-2,523**	**-3,943**	**-3,912**	**-3,798**	
% to GDP	-1.1	-4.5	-5.2	-3.2	-4.4	-3.9	-3.4	
o. Primary Deficit (m-1)	**441**	**-1,448**	**-2,054**	**-1,396**	**-2,428**	**-2,043**	**-1,718**	
% to GDP	0.9	-2.6	-3.2	-1.8	-2.7	-2.0	-1.5	
Financing the deficit								
Market borrowings (Net)	1,318	2,336	3,984	3,254	4,362	4,674	4,840	
PPF & special deposits	39	80	161	125	108	100	100	
Small savings	-113	-13	133	112	-103	86	58	
Net external assistance	93	110	110	236	124	22	106	
Others	204	418	-189	-56	828	379	321	
Cash Surplus	-271	438	-14	64	-160	-52	0	
Total financing	1,270	3,370	4,185	3,736	5,160	5,209	5,425	
Memo items (% to GDP)								
Centre	-2.5	-6.0	-6.5	-4.8	-5.7	-5.2	-4.8	
State	-1.5	-2.4	-2.9	-2.7	-2.3	-2.1	-2.1	
Combined	-4.1	-8.4	-9.6	-8.2	-8.0	-7.3	-6.9	
Off Balance Sheet Items	-0.6	-1.7	-0.2	0.0	0.0	0.0	0.0	
Total Deficit	-4.7	-10.1	-9.8	-8.2	-8.2	-8.6	-8.3	
Combined liabilities	76.1	76.8	75.5	69.6	69.1	68.3	69.0	

Source: Citi Research estimates

Global Forecasts

Figure 55. Selected Countries — Economic Forecast Overview (Percent) 2012F-2016F

	GDP Growth					CPI					Short Term Interest Rates				
	2012F	2013F	2014F	2015F	2016F	2012F	2013F	2014F	2015F	2016F	2012F	2013F	2014F	2015F	2016F
Global	**2.5**	**2.6**	**3.1**	**3.6**	**3.7**	**2.8**	**2.8**	**3.0**	**2.4**	**2.4**	**2.34**	**2.24**	**2.41**	**2.71**	**3.07**
Based on PPP weights	*3.1*	*3.2*	*3.6*	*4.0*	*4.2*	*3.3*	*3.2*	*3.4*	*2.9*	*2.8*	*2.93*	*2.81*	*2.99*	*3.28*	*3.61*
Industrial Countries	**1.2**	**1.0**	**1.6**	**2.2**	**2.3**	**1.8**	**1.5**	**1.8**	**0.9**	**0.9**	**0.62**	**0.47**	**0.45**	**0.73**	**1.16**
United States	2.2	1.9	2.8	3.2	3.2	1.8	1.5	2.1	2.1	2.1	0.25	0.25	0.25	0.75	1.65
Japan	2.0	1.3	1.4	1.5	1.2	0.0	0.1	1.9	0.7	0.5	0.07	0.07	0.13	0.10	0.10
Euro Area	-0.5	-0.6	-0.3	1.1	1.3	2.5	1.6	1.3	1.2	1.3	0.88	0.50	0.25	0.25	0.31
Australia	3.6	2.7	3.1	3.5	3.6	1.8	2.8	2.5	2.8	2.5	3.56	2.81	3.25	4.00	4.75
United Kingdom	0.3	0.4	0.7	1.8	1.7	2.8	2.9	2.7	2.9	2.9	0.50	0.50	0.50	0.50	0.50
Emerging Markets	**4.7**	**5.1**	**5.4**	**5.5**	**5.6**	**4.5**	**4.8**	**4.8**	**4.7**	**4.5**	**5.21**	**5.00**	**5.31**	**5.55**	**5.70**
China	7.8	7.7	7.3	7.0	7.5	2.6	2.9	3.5	3.8	3.8	3.25	3.13	3.50	3.75	3.88
Taiwan	1.3	3.5	4.0	4.0	4.5	1.9	1.7	1.9	1.8	1.8	1.88	1.88	1.97	2.38	2.88
India	**5.0**	**5.7**	**6.4**	**7.2**	**7.3**	**7.5**	**6.5**	**6.0**	**6.0**	**6.0**	**7.80**	**7.50**	**7.50**	**7.50**	**7.50**
Indonesia	6.2	6.2	6.3	6.5	6.5	4.3	5.6	4.1	5.7	5.4	3.90	4.19	4.50	4.63	5.13
Korea	2.0	3.2	4.1	3.9	4.2	2.2	2.3	3.0	3.2	3.1	3.06	2.81	3.44	3.75	4.13
Czech Republic	-1.3	-0.2	0.9	2.0	2.3	3.3	1.6	1.5	2.2	1.8	0.51	0.05	0.05	0.55	1.54
Hungary	-1.7	0.2	1.3	0.9	1.3	5.7	2.7	3.1	3.9	3.5	6.77	4.44	4.06	4.98	5.00
Poland	2.0	1.3	2.8	3.3	3.3	3.7	1.2	2.4	2.5	2.5	4.61	3.23	3.10	3.88	4.67
Russia	3.4	3.1	3.6	3.3	3.3	5.1	6.6	5.4	5.0	4.9	8.07	8.10	7.50	7.00	7.00
Turkey	2.2	4.0	4.3	4.2	4.4	8.9	7.4	7.3	6.9	6.4	5.69	5.19	6.88	8.00	8.00
Nigeria	7.4	6.8	7.1	6.6	6.8	12.2	9.2	9.7	12.2	10.8	12.00	11.50	10.50	12.50	11.00
South Africa	2.5	2.6	3.1	4.0	4.2	5.7	5.9	5.2	5.5	5.6	5.25	5.00	5.08	6.17	6.50
Argentina	1.9	3.0	3.0	2.0	-2.0	10.0	10.3	12.5	15.0	50.0	13.89	17.74	20.83	22.00	22.00
Brazil	0.9	3.1	4.0	3.5	3.5	5.4	6.3	5.7	5.3	4.8	8.46	8.00	8.75	9.13	9.25
Mexico	3.9	3.6	3.8	4.0	3.8	4.1	3.9	3.5	3.6	3.6	4.50	4.08	4.00	4.44	5.90
Venezuela	5.6	1.0	2.0	2.1	2.5	21.1	24.6	24.0	26.0	24.0	14.50	14.50	14.50	14.80	14.80

Source: Citi Research estimates, *Global Economic Outlook and Strategy*, 18 April 2013.

Figure 56. Selected Countries — Economic Forecast Overview (Percent) 2011-2015F

	Current Balance (Pct of GDP)					Fiscal Balance (Pct of GDP)					Government Debt (Pct of GDP)				
	2012F	2013F	2014F	2015F	2016F	2012F	2013F	2014F	2015F	2016F	2012F	2013F	2014F	2015F	2016F
Global	**0.3**	**0.4**	**0.2**	**-0.1**	**-0.2**	**-4.4**	**-4.1**	**-3.3**	**-2.8**	**-2.6**	**88**	**89**	**88**	**88**	**87**
Based on PPP weights	*0.1*	*0.2*	*0.0*	*-0.3*	*-0.4*	*-4.2*	*-4.0*	*-3.3*	*-2.9*	*-2.7*	*79*	*79*	*79*	*78*	*77*
Industrial Countries	**-0.7**	**-0.2**	**-0.2**	**-0.3**	**-0.2**	**-6.0**	**-5.2**	**-3.9**	**-3.1**	**-2.8**	**116**	**120**	**121**	**122**	**122**
United States	-3.0	-2.7	-3.0	-3.0	-3.0	-8.3	-7.0	-4.9	-4.0	-4.0	106	109	111	112	112
Japan	1.0	0.6	1.9	1.5	1.5	-10.7	-9.8	-7.0	-6.2	-5.8	237	244	245	250	254
Euro Area	1.2	2.5	2.3	2.3	2.3	-3.5	-2.7	-2.4	-1.7	-1.3	92	95	93	93	92
Australia	-3.7	-3.7	-4.7	-3.5	-3.2	-3.0	-0.8	0.0	0.2	0.3	29	30	28	26	24
United Kingdom	-3.7	-2.6	-2.9	-2.9	-3.0	-6.3	-7.8	-7.3	-6.8	-5.4	90	95	101	105	108
Emerging Markets	**1.8**	**1.3**	**0.8**	**0.2**	**-0.2**	**-1.7**	**-2.2**	**-2.5**	**-2.4**	**-2.3**	**42**	**41**	**41**	**39**	**38**
China	2.3	2.2	2.0	1.5	0.8	-2.0	-2.0	-2.0	-1.5	-1.5	43	42	41	39	37
Taiwan	10.5	8.4	8.0	8.0	8.0	-1.6	-1.2	-1.3	-1.0	-0.7	39	40	42	43	44
India	**-5.3**	**-4.9**	**-4.4**	**-4.3**	**-4.0**	**-7.3**	**-7.0**	**-6.7**	**-6.4**	**-6.1**	**68**	**67**	**66**	**65**	**64**
Indonesia	-2.8	-2.1	-1.8	-1.2	-0.9	-1.8	-2.1	-1.4	-1.0	-0.5	24	22	21	21	20
Korea	3.8	2.7	2.0	1.0	0.3	1.4	0.8	1.4	2.5	2.7	34	35	32	30	29
Czech Republic	-2.3	-1.7	-2.0	-1.3	-1.1	-4.4	-3.0	-2.7	-2.2	-1.5	46	49	50	50	49
Hungary	1.6	2.6	3.4	4.2	4.9	-2.0	-2.7	-2.9	-3.0	-2.8	79	79	79	78	77
Poland	-3.5	-2.8	-3.7	-4.4	-4.2	-3.5	-3.5	-2.8	-2.5	-2.4	53	53	52	51	50
Russia	4.0	2.8	0.9	-1.7	-3.2	-0.7	-2.0	-4.1	-4.5	-3.9	8	7	10	13	15
Turkey	-6.0	-7.0	-7.1	-6.9	-6.2	-2.0	-2.2	-2.7	-2.7	-3.0	39	37	36	36	36
Nigeria	2.5	3.7	3.3	2.0	1.4	-2.8	-2.6	-2.8	-3.3	-2.7	NA	NA	NA	NA	NA
South Africa	-6.0	-5.7	-5.5	-4.6	-3.3	-4.4	-4.6	-4.4	-4.0	-3.5	41	42	43	43	43
Argentina	0.1	0.4	0.2	0.2	3.0	-2.6	-2.7	-2.9	-3.8	0.0	39	40	42	44	42
Brazil	-2.5	-3.1	-3.2	-3.4	-3.5	-2.6	-3.5	-3.1	-2.9	-2.8	59	59	59	59	60
Mexico	-1.1	-1.8	-1.9	-2.4	-2.8	-2.6	-2.1	-2.0	-2.0	-2.0	40	38	38	38	37
Venezuela	2.9	5.9	5.1	5.8	4.9	-5.0	-4.0	-4.0	-4.8	-4.6	41	46	41	42	43

Note: US debt and deficit figures are for the Federal government only. All other countries are general government debt and deficits.
Source: Citi Research estimates, *Global Economic Outlook and Strategy,* 18 April 2013

Figure 57. Selected Countries — Economic Forecast Overview and Exchange Rate Forecasts (Percent) 2011-2015F

	10-Year Yields					Exchange Rates Versus U.S. Dollar*				
	2012F	2013F	2014F	2015F	2016F	2012F	2013F	2014F	2015F	2016F
Industrial Countries										
United States	1.77	2.05	2.85	3.25	3.50	NA	NA	NA	NA	NA
Japan	0.85	0.63	0.63	1.00	1.25	81	103	105	104	103
Euro Area	1.57	1.41	1.48	1.80	2.00	1.28	1.28	1.23	1.21	1.24
Australia	3.28	3.59	4.14	5.00	5.50	1.03	1.03	0.98	0.95	0.94
United Kingdom	1.85	2.05	2.35	3.00	3.25	1.59	1.48	1.41	1.42	1.50
Emerging Markets										
China	3.33	3.61	3.86	4.11	4.24	6.31	6.16	6.05	6.01	6.03
Taiwan	1.21	1.32	1.43	1.50	1.70	29.57	30.22	29.74	28.92	28.64
India	**8.25**	**8.25**	**8.25**	**8.25**	**8.25**	**53.38**	**55.31**	**56.03**	**55.31**	**54.74**
Indonesia	5.90	5.68	5.93	6.30	6.60	9361	9848	9813	9643	9588
Korea	3.24	2.86	3.61	4.35	5.00	1127	1137	1061	995	992
Czech Republic	2.75	2.06	2.40	2.73	3.27	19.5	20.2	20.7	20.1	19.1
Hungary	7.91	5.88	6.06	6.50	6.50	225	233	241	239	233
Poland	5.05	4.15	4.77	5.09	5.17	3.25	3.25	3.31	3.21	3.10
Russia	NA	NA	NA	NA	NA	31.1	32.1	33.8	34.2	33.8
Turkey	NA	NA	NA	NA	NA	1.80	1.85	1.93	1.96	1.94
Nigeria	NA	NA	NA	NA	NA	159	161	164	168	171
South Africa	7.15	6.87	8.00	9.15	9.20	8.21	9.31	9.59	9.73	9.81
Argentina	NA	NA	NA	NA	NA	4.54	5.46	6.74	8.72	13.45
Brazil	9.31	8.73	10.75	11.13	10.00	1.95	1.98	2.01	2.07	2.13
Mexico	5.70	4.97	5.74	6.63	7.06	13.2	12.0	12.0	12.3	12.3
Venezuela	11.26	10.91	10.66	15.50	15.50	4.29	6.13	6.30	9.75	10.50

* Per USD except Euro Area, Australia, United Kingdom. Source: Citi Research estimates, *Global Economic Outlook and Strategy*, 18 April 2013

Figure 58. Foreign Exchange Forecasts (End of Period), as of 23 January 2013

	vs. USD						vs. EUR					
	Current	Jun 13	Sep 13	Dec 13	Mar14	Jun 14	Current	Jun 13	Sep 13	Dec 13	Mar14	Jun 14
United States	NA	NA	NA	NA	NA	NA	1.31	1.31	1.28	1.25	1.24	1.23
Japan	99	107	106	105	105	105	130	139	135	132	130	129
Euro Area	1.31	1.31	1.28	1.25	1.24	1.23	NA	NA	NA	NA	NA	NA
Canada	1.01	1.02	1.03	1.03	1.02	1.01	1.32	1.33	1.31	1.29	1.27	1.24
Australia	1.06	1.05	1.03	1.00	0.99	0.99	1.24	1.25	1.25	1.25	1.25	1.25
New Zealand	0.86	0.87	0.86	0.85	0.84	0.83	1.52	1.51	1.49	1.47	1.48	1.48
Norway	5.71	5.75	5.81	5.87	5.91	5.94	7.48	7.51	7.43	7.36	7.33	7.31
Sweden	6.35	6.40	6.53	6.68	6.75	6.81	8.32	8.35	8.36	8.37	8.38	8.38
Switzerland	0.93	0.94	0.96	0.98	1.00	1.02	1.22	1.23	1.23	1.23	1.24	1.26
United Kingdom	1.54	1.51	1.47	1.43	1.42	1.41	0.85	0.86	0.87	0.88	0.88	0.87
China	6.19	6.17	6.14	6.10	6.08	6.06	8.1	8.1	7.9	7.7	7.6	7.5
India	**54.5**	**54.9**	**55.7**	**56.4**	**56.3**	**56.1**	**71.3**	**71.7**	**71.2**	**70.7**	**69.9**	**69.1**
Korea	1129	1168	1145	1123	1099	1074	1479	1525	1466	1408	1364	1322
Poland	3.15	3.15	3.25	3.35	3.34	3.32	4.12	4.12	4.16	4.20	4.15	4.09
Russia	30.9	31.8	32.5	33.2	33.5	33.7	40.5	41.6	41.6	41.6	41.5	41.5
South Africa	8.92	9.18	9.33	9.48	9.53	9.57	11.68	11.99	11.94	11.88	11.84	11.79
Turkey	1.79	1.83	1.86	1.89	1.90	1.92	2.34	2.40	2.38	2.36	2.36	2.36
Brazil	1.98	1.96	1.97	1.98	1.99	2.01	2.59	2.55	2.52	2.48	2.47	2.47
Mexico	12.0	12.0	11.9	11.8	11.8	12.0	15.8	15.6	15.2	14.7	14.7	14.7

Source: Citi Research estimates, *Global Economic Outlook and Strategy, 18 April 2013*

Appendix A-1

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