India Macro View

Tough Times, but Tougher to Slot

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With thanks to
Abha Agarwal

- **Its getting tough for India —** India's problems over the last two years have largely been domestic; its newer problems are now global. It's the tapering talk (India Macroscope – Chattering on Tapering); since then (1) Outflows to tune of US$9bn (debt ~US$8bn; equity <US$1bn); (2) The currency down 8% since May; (3) Yields higher by 38bps; and (4) Stocks down 4%. Its not only India's problem (all EM's hit, and vulnerable), and while some domestic concerns have receded since, it is hurting India.

- **China pains could be India gains —** The China slowdown fear does play out well for India, its commodity user status and the relative flow of capital. While this is making India even harder to slot as a market, we view 'Tapering pains' dominating both 'China gains' and some domestic government action – and that is a risk, even from here.

- **The markets' thinking** — Key takeaway from our recent marketing trip was unanimous view that EM assets are likely to continue to underperform. On FX, countries with high current account deficit are likely to be worse off and investors now see INR in Rs58-62 range. On rates, while some are pricing in hikes, consensus view was that India could see an 'extended pause.' On equities, views were mixed. While global rotation from bonds to equities is positive, any further de-rating of EM could accentuate equity outflows causing INR weakness (portfolio flows finance ~20% of CAD).

- **We need to talk…about the external vulnerabilities** — India, as a global capital 'absorber', is vulnerable. It has a 4%+ CAD; external debt is rising; and its markets have been high on equity and debt inflows. The rupee has taken a hit, breaching Rs60/USD levels. While the fair value as per the REER lies in the Rs57-58 range, the combination of global and domestic factors could result in a wider trading range. The currency should dominate the market, and the mood.

- **What it means — (1) Growth: Maintain GDP estimates of 5.7% –** Investment trends continue to be dismal, and delay in rate cuts could impact consumption. But current monsoon trends are favorable and could offset industry weakness. **(2) Inflation and rates** – Maintain average WPI and CPI estimates of 5.5% and 7.5% as lower food prices on account of good monsoons could offset inflationary impact of a weaker rupee. But rupee volatility pushes rate cuts to 2HFY14. **(3) Fiscal** – Subsidy bill could increase as every USD/INR change impacts fuel losses by Rs80bn. Added to this, is the proposed implementation of the food subsidy bill. But similar to FY13, the ratings constraint could keep deficit in check.

- ***Note to clients: Rohini Malkani will be on a three-month leave for the period 15 July 2013 to 14 October 2013. During this time, she will work for India's Ministry of Finance. During this period, she will cease all normal-course business activity as an economist at Citi.***

WHAT's INSIDE:

Rupee – External Vulnerabilities Take a Toll

RUPEE WEAKNESS IN THE FOREFRONT

Fears of fed tapering coupled with extent of China slowdown triggers a sell-off in EM assets including INR.

INR touched an all-time low of 61.2 before retracing back to 60.2.

Since the May 22 FOMC meeting, INR is down 8.3%.

Figure 1. Spot INR breaches the 60/$ mark on fear of Fed tapering

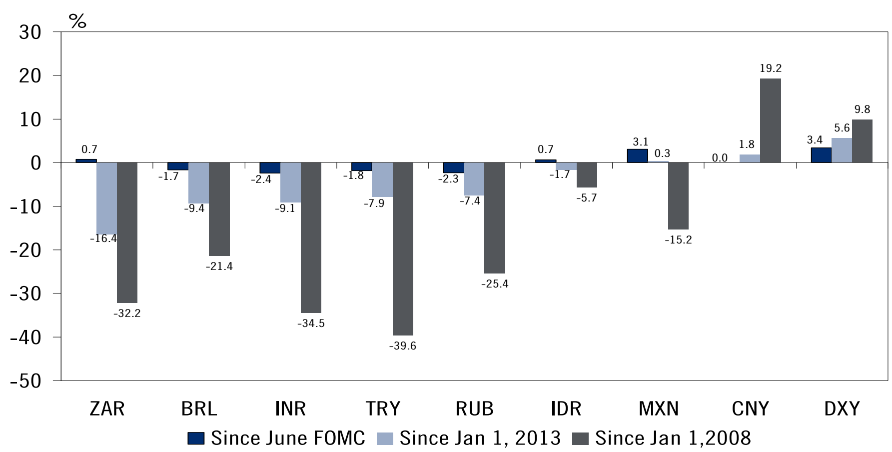
Source: RBI; Citi Research

INR vs. OTHER EM CURRENCIES

INR weakness is largely in line with other current account deficit (CAD) countries.

South African rand (-16.4%), Brazilian real (-9.4%), INR (-9.1%) and Turkish lira (-7.9%) are among the worst-performing currencies.

Figure 2. Spot returns in EM Currencies



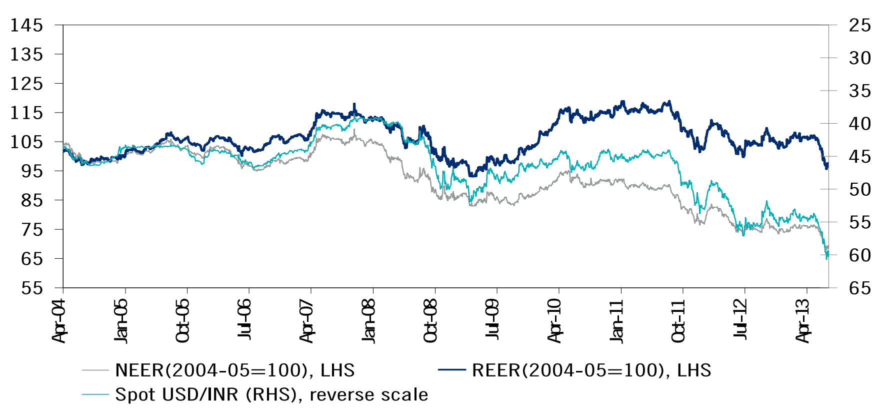
Source: Bloomberg, Citi Research

A LOOK AT REAL EFFECTIVE EXCHANGE RATE (REER)

Six-country REER (base = 2004-05) has fallen to 97.1 from 106.3 this fiscal.

Our REER estimates indicates the fair value of the INR in the Rs57-58 range.

Figure 3. Unlike spot INR and NEER, six-country REER not at record lows



Source: RBI: Citi Research

External Vulnerabilities (1) Deficits and Debt

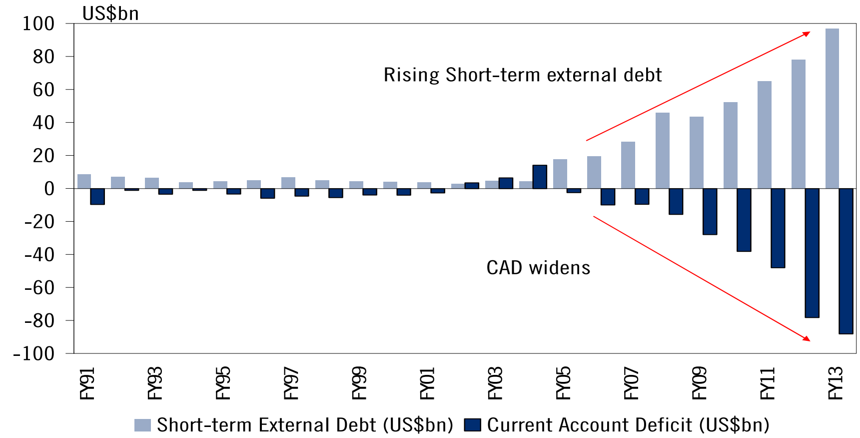
EXTERNAL FINANCING REQUIREMENTS HIGH

CAD widens to US$88bn or 4.8% GDP in FY13. CAD is likely to remain elevated at US$81bn or 4.1% of GDP.

Short-term external debt rises to US$97bn in FY13 from US$45bn in FY08.

Forex reserves remain stagnant at US$258bn.

Figure 4. Short-term external debt continues to rise at a rapid pace



Source: RBI, Ministry of Finance

RISING EXTERNAL DEBT

India's total external debt stands at US$390bn in FY13 v/s US$345bn in FY12. This was on account of both higher short-term and long-term debt.

Vulnerability indicators also point to deterioration: (1) ST debt to total debt (original maturity) now stands at 24% while ST debt by (residual maturity) is 33% and (2) FX reserves to total debt is down to 67.9% from 130% in FY08.

Figure 5. Trends in External Debt (US$bn)

	FY08	FY09	FY10	FY11	FY12	FY13
Multilateral	39.5	39.5	42.9	48.5	50.5	51.6
Bilateral	19.7	20.6	22.6	25.7	26.9	25.1
IMF	1.1	1.0	6.0	6.3	6.2	6.0
Trade Credit	10.3	14.5	16.8	18.6	19.1	17.7
Commercial Borrowing	62.3	62.5	70.7	88.5	104.8	120.9
NRI Deposits (Beyond 1 year)	43.7	41.6	47.9	51.7	58.6	70.8
Rupee Debt*	2.0	1.5	1.7	1.6	1.4	1.3
Total Long term debt	**178.7**	**181.2**	**208.6**	**240.9**	**267.3**	**293.4**
NRI Deposits (up to 1 year maturity)	-	-	-	-	-	-
FII Invst in T-Bills	0.7	2.1	3.4	5.4	9.4	5.5
Others (trade related)	41.9	39.9	47.5	58.5	65.1	86.8
Other	3.2	1.3	1.5	1.1	3.7	4.5
Total Short term debt	**45.7**	**43.3**	**52.3**	**65.0**	**78.2**	**96.7**
GROSS TOTAL	**224.4**	**224.5**	**260.9**	**305.9**	**345.5**	**390.0**
Short-Term Debt Residual Maturity	54.8	57.5	65.3	88.0	99.6	129.4

Source: Ministry of Finance

CURRENT ACCOUNT DEFICIT WIDENS

In absolute terms, India is among the top 3 countries having a high current account deficit.

Figure 6. Countries with Highest Current Account Deficit in 2012 (US$bn, % to GDP)

Rank	Country	US$bn	% to GDP
1	United states	-440.4	-2.8
2	United Kingdom	-91.4	-3.7
3	India*	-88.2	-4.8
4	Canada	-62.2	-3.4
5	France	-60.0	-2.3
6	Australia	-57.0	-3.7
7	Brazil	-54.2	-2.4
8	Turkey	-45.4	-5.8
9	Indonesia	-24.1	-2.7
10	South Africa	-23.6	-6.1

*India numbers are for FY13; Source: Citi Research

External Vulnerabilities (2) Reserves; Flows

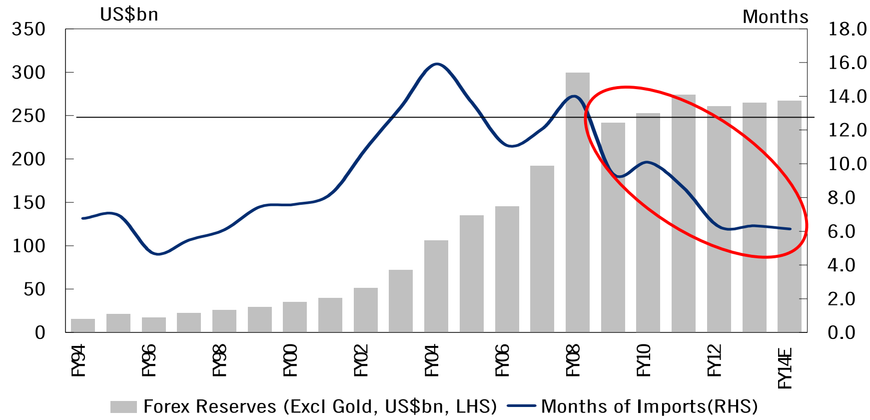
FOREX IMPORT COVER

Since the global financial crisis, India's CAD has risen sharply from US$30-35bn to US$80bn+. While exports have slowed, the primary reason has been India's rising import bill, thanks to oil and gold which comprise ~44% of imports.

Capital flows, though buoyant, have been barely sufficient to finance the CAD.

Consequently, forex accretion has been minimal, resulting in the FX import cover at around six months, leaving limited room for intervention

Figure 7. RBI's Forex Reserves and Import Cover



Source: RBI; Citi Research

CAPITAL ACCOUNT FLOWS

Thanks to lower commodity prices, we expect India's CAD to narrow marginally to US$81bn or 4.1% of GDP in FY14.

While we estimate capital flows to finance the CAD, a key risk to the numbers assumption is portfolio flows.

Figure 8. Trends in Capital Flows (US$bn)

	FY08	FY09	FY10	FY11	FY12	FY13	FY14E
I. Current A/c	**-15.7**	**-27.9**	**-38.2**	**-48.1**	**-78.2**	**-88.2**	**-81.3**
II. Capital A/c							
a. Borrowings	**40.7**	**8.3**	**12.4**	**29.1**	**19.3**	**31.1**	**24.0**
External Assistance	2.1	2.4	2.9	4.9	2.3	1.0	2.0
Commercial Borrowings	22.6	7.9	2.0	12.2	10.3	8.5	12.0
Short-term credit	15.9	-2.0	7.6	12.0	6.7	21.7	10.0
b. FDI (Net)	**15.9**	**19.8**	**18.0**	**11.8**	**22.1**	**19.8**	**20.0**
c. Portfolio Invst	**27.4**	**-14.0**	**32.4**	**30.3**	**17.2**	**26.9**	**23.0**
d. Banking Capital	**11.8**	**-3.2**	**2.1**	**5.0**	**16.2**	**16.6**	**16.0**
Commercial Banks (Net)	11.6	-7.5	-0.8	1.7	4.3	1.7	1.0
NRI Deposits	**0.2**	**4.3**	**2.9**	**3.2**	**11.9**	**14.8**	**15.0**
e. Rupee Debt Service	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.4
f. Other capital	11.0	-4.0	-13.2	-12.4	-6.9	-5.0	1.0
Total Capital A/c	**106.6**	**6.8**	**51.6**	**63.7**	**67.8**	**89.3**	**83.6**
Overall balance (I+II)	**92.2**	**-20.1**	**13.4**	**12.7**	**-12.8**	**3.8**	**2.3**

Source: RBI, Citi Research

PORTFOLIO FLOWS

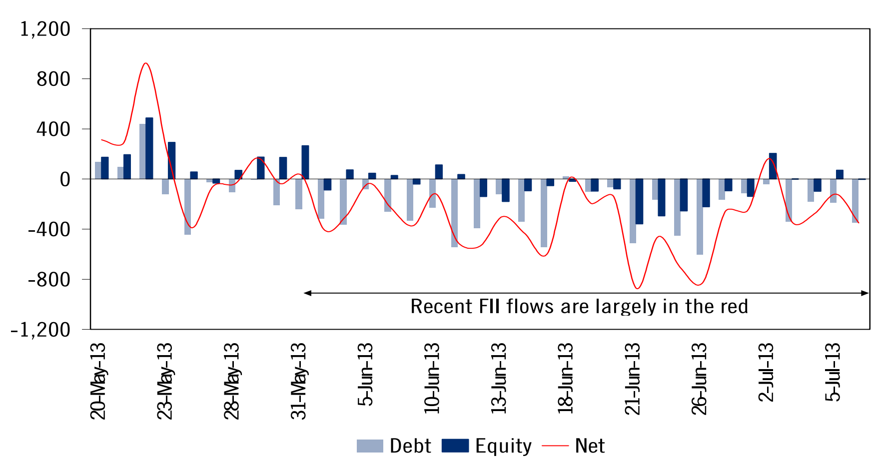
Flows in FY13:

Debt: +US$5.2bn; Equity: +US$25.8bn

Flows in the fiscal year to date:

Debt: (-)US$4.6bn ; Equity: +US$3.3bn

Figure 9. Trends in FII Flows – Debt, Equity, and Net (US$mn)



Source: SEBI

Policy Response

TO REDUCE GOLD DEMAND / IMPORTS

Gold imports in FY13 remained elevated, coming in at US$53.8bn. (For details, pls see: India Macroscope - BOP: A Welcome POP.

FY14 imports in Apr-May were US$16 bn, over double the US$7.2bn in FY13.

Recent measures taken by the RBI could help curb hold imports/demand.

Figure 10. Recent Measures to Discourage Gold Imports

Date	Measure
May-13	RBI allows banks to import gold only on a consignment basis
May-13	RBI bans Banks and NBFCs from lending against gold ETFs and MFs
May-13	RBI Gov. Subbarao asks banks to slow gold coin sales
Jun-13	Gold trading houses + import firms only allowed to import gold to "meet genuine needs of exporters of gold jewellery"
Jun-13	All letters of credit opened by banks and gold import agencies will be "only on 100% margin basis"
Jun-13	Import duty on gold raised to 8% from 6%, excise duty on ores and concentrates raised to 6% excise duty on raw gold raised to 7%

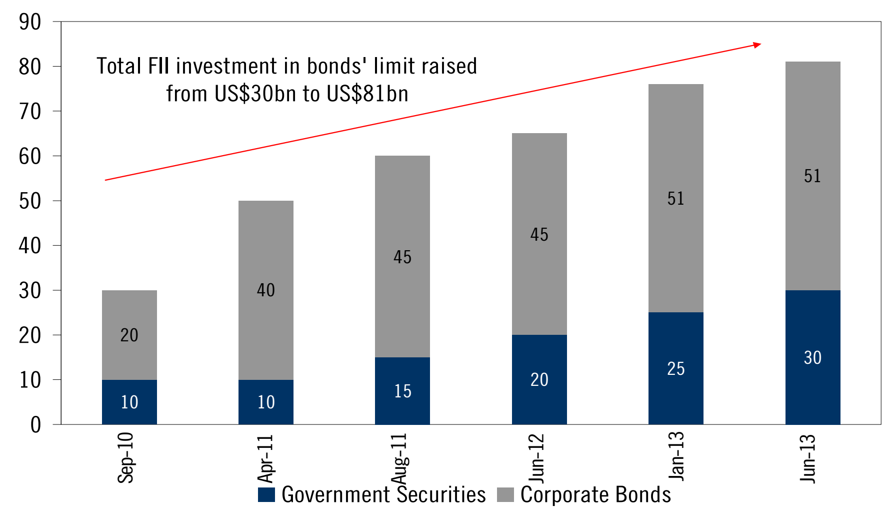
Source: RBI; MoF; Citi Research

TO INCREASE FII FLOWS

Key steps taken to attract debt market flows include:

- **Reducing withholding tax to 5% from 20%.**
- **Removing sub-limit restrictions on foreign investment.**
- **Gradually raising the limit for foreign investment in bonds.**

Figure 11. Trends in FII limits



Source: SEBI

TO CURB SPECULATION

While global factors have impacted most EM assets, the RBI has been taking measures to curb speculation.

Figure 12. Recent Measures to Curb Speculation in Currency

Date	Measures Announced	How will it help?
Jul-13	SEBI doubles the margin requirement for currency futures trading on exchanges	Reduce open interest and speculative positions
Jul-13	RBI prohibits banks from proprietary trading of currency futures on exchanges	Aimed at curbing speculative trading
Jul-13	Media reports about RBI restricting oil marketing companies to meet their dollar demand from single bank	Streamline dollar demand from oil importers
	RBI continues to intervene sporadically in spot market while also reducing its outstanding forward positions from short $12.1bn in Mar end to short $5.8bn in May end	Tactical intervention aimed to reduce volatility

Source: SEBI, RBI, Citi Research

Snapshot of Balance of Payments

Figure 13. Trends in Balance of Payments (US$bn)

	FY08	FY09	FY10	FY11	FY12	FY13	FY14E	Comments
CURRENTACCOUNT								
Exports(RBI)	**166.2**	**189.0**	**182.4**	**256.2**	**309.8**	**306.6**	**335.7**	
Y/Y%	28.9	13.7	(3.5)	40.4	20.9	(1.0)	9.5	While a weak currency helps exports, the impact is muted
% of GDP	13.4	15.4	13.3	15.0	16.6	16.5	16.9	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**	**502.2**	**522.3**	
Y/Y%	35.1	19.8	-2.6	27.6	30.3	0.5	4.0	
%to GDP	20.8	25.2	22.0	22.4	26.8	27.1	26.4	
Imports-Customs*	**251.4**	**310.3**	**288.3**	**369.7**	**489.4**	**491.0**	**504.2**	
Y/Y%	35.4	23.4	-7.1	28.2	32.4	0.3	2.7	Crude at US$111/bbl in FY12, US$104/bbl in FY13,US$93/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	321.7	344.2	
Y/Y%	33.4	26.1	-7.1	32.1	25.8	-3.8	7.0	
Of which Gold	16.7	20.7	28.6	40.5	56.2	53.8	44.0	
Y/Y%	15.6	23.9	38.2	41.6	38.7	-4.4	-18.2	
a. Trade balance (RBI)	**-91.5**	**-119.5**	**-118.2**	**-127.3**	**-189.8**	**-195.7**	**-186.6**	Oil and Gold are key as they account for 44% of imports
% of GDP	-7.4	-9.8	-8.6	-7.4	-10.2	-10.5	-9.4	
Trade Balance(Customs)	-88.5	-125.0	-109.6	-118.6	-183.5	-190.4	-179.6	
Difference bet. RBI and Customs Data	-2.9	5.5	-8.6	-8.7	-6.3	-5.3	-7.0	Difference normally represents defense imports.
b. Invisibles	**75.7**	**91.6**	**80.0**	**79.3**	**111.6**	**107.5**	**105.3**	
Non-factor services	38.9	53.9	35.8	44.1	64.1	64.9	63.6	
Of which: Software Services	36.9	43.7	48.2	53.3	61.0	63.5	68.6	
Non-Software Services	1.9	10.2	-12.5	-9.2	3.1	1.4	-5.0	
Investment income Outflows	-5.1	-7.1	-8.0	-18.0	-16.0	-21.5	-24.0	Rising Recourse to External Funding has resulted in more outflows
Remittances**	41.7	44.6	52.1	53.1	63.5	64.3	65.3	
Official transfers	0.2	0.2	0.3	0.0	0.0	-0.3	0.4	
1.Current a/c balance (a+b)	**-15.7**	**-27.9**	**-38.2**	**-48.1**	**-78.2**	**-88.2**	**-81.3**	
% of GDP	-1.3	-2.3	-2.8	-2.8	-4.2	-4.8	-4.1	Current a/c improves v/s FY13 but is still elevated
CAPITALACCOUNT								
c. Loans	**40.7**	**8.3**	**12.4**	**29.1**	**19.3**	**31.1**	**24.0**	Global developments could impact bank loans
External assistance	2.1	2.4	2.9	4.9	2.3	1.0	2.0	
Commercial borrowings***	22.6	7.9	2.0	12.2	10.3	8.5	12.0	
Short-term credit	15.9	-2.0	7.6	12.0	6.7	21.7	10.0	
d. FDI(Net=a-b)	**15.9**	**19.8**	**18.0**	**11.8**	**22.1**	**19.8**	**20.0**	Policy clarity will help FDI in FY14
(a)FDI-To India	34.7	37.7	33.1	29.0	33.0	27.0	35.0	
(b)FDI-Abroad	-18.8	-17.9	-15.1	-17.2	-10.9	-7.1	-15.0	
e. Portfolio Invst(FII+ADRs/GDRs)	**27.4**	**-14.0**	**32.4**	**30.3**	**17.2**	**26.9**	**23.0**	Key Vulnerability for the Balance of Payments
f. Banking Capital	**11.8**	**-3.2**	**2.1**	**5.0**	**16.2**	**16.6**	**16.0**	Fiscal YTD, we have seen outflows to the tune of US$ -1.3bn
Of which NRI deposits	0.2	4.3	2.9	3.2	11.9	14.8	15.0	(Equity = 3.3US$bn; Debt = -4.6US$bn)
g. Rupee debt service	**-0.1**	**-0.1**	**-0.1**	**-0.1**	**-0.1**	**-0.1**	**-0.4**	
h. Other capital****	**11.0**	**-4.0**	**-13.2**	**-12.4**	**-6.9**	**-5.0**	**1.0**	
2.Capital a/c (c+d+e+f+g+h)	**106.6**	**6.8**	**51.6**	**63.7**	**67.8**	**89.3**	**83.6**	
Errors & Omissions	1.3	1.1	0.0	-3.0	-2.4	2.7	0.0	
Overall balance (1+2)	**92.2**	**-20.1**	**13.4**	**12.7**	**-12.8**	**3.8**	**2.3**	
Forex								
Forex assets	299.1	241.6	252.8	273.7	260.9	264.7	267.0	
FCA to months of imports	13.9	9.4	10.1	8.6	6.3	6.3	6.1	
Exchange rate								
Rs/US$-annual avg	40.2	46.0	47.4	45.6	48.1	54.0	57.0*	***INR Forecasts are as of June 19 – Global Economic Outlook**
%depreciation	-11.1	14.4	3.0	-3.8	5.5	12.3	5.6	

Source: Citi Research estimates

Growth: Maintain 5.7% GDP Growth Estimate

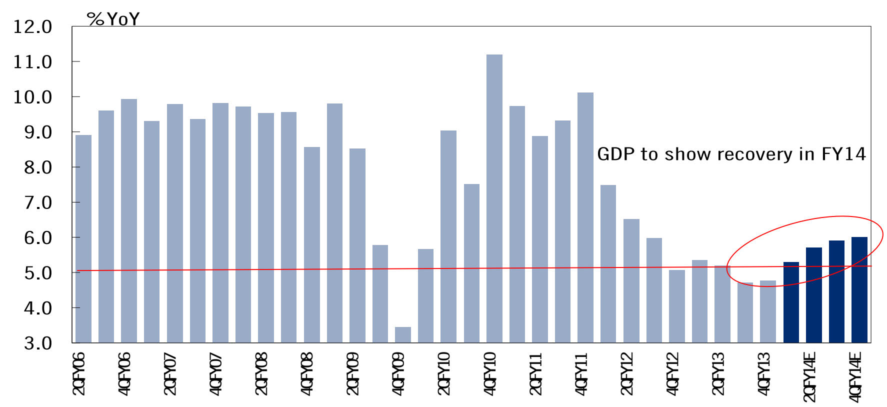
EXPECT SHALLOW RECOVERY IN FY14

Investment trends continue to be dismal, and delay in rate cuts could impact consumption.

But current monsoon trends are favorable and could offset industry weakness.

We thus maintain our view of FY14 GDP at 5.7%.

Figure 14. Trends in Quarterly GDP (%YoY)



Source: CSO, Citi Research

INVESTMENT TRENDS REMAIN WEAK

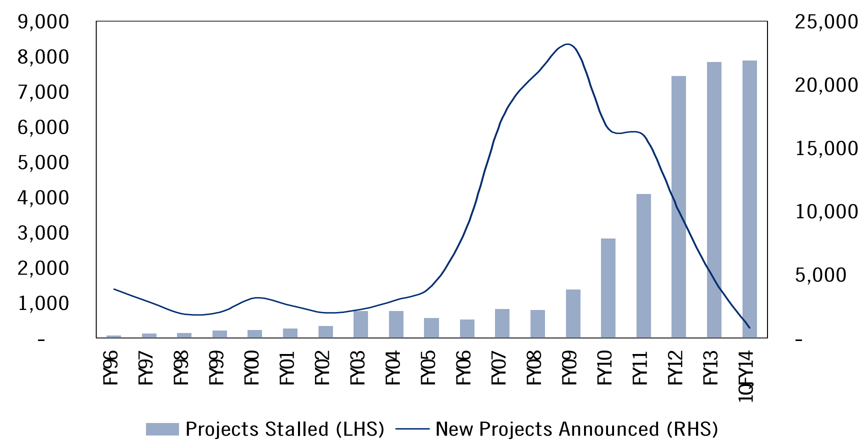
(1) Project announcements fell by 66%YoY and by 18%QoQ in 1QFY14.

(2) Stalled projects showed a muted increase – up 5%YoY and 1%QoQ.

Trends remain weak due to policy / execution challenges indicating limited success of the Cabinet Committee on Investments.

For more details, please see our Infra team's latest insights.

Figure 15. Projects Stalled vs Projects Announced (Rs bn)



Source: CMIE

MONSOONS – POSITIVE START

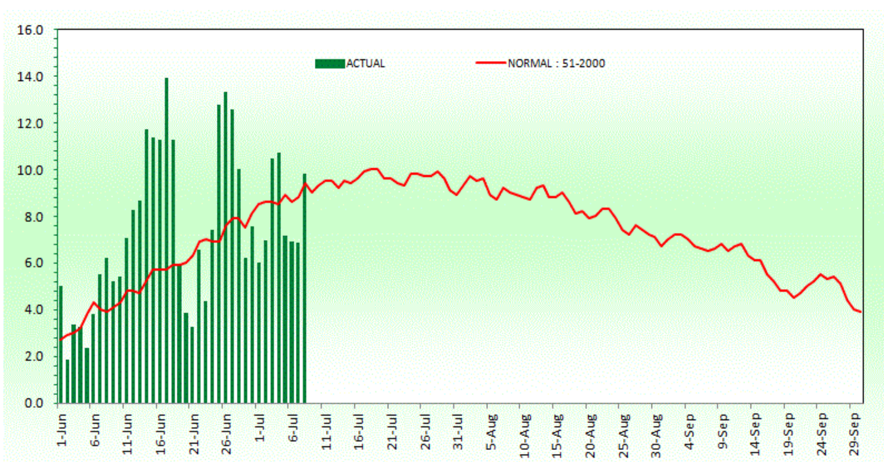
Trends are positive for the season so far (June 1st – present):

- Rainfall: 27% above normal vs 30% deficiency in the same period last year.

- Reservoir Levels: storage levels are 10% higher than this time last year.

- Crop Sowing: area sown is up 86.8% vs area in the corresponding period last year.

Figure 16. Trends in Daily Mean Rainfall in 2013 (mm)



Source: IMD

Monetary – Inflation, Pause in Rates

INFLATION – LOWER, BUT CURRENCY COULD BE A RISK

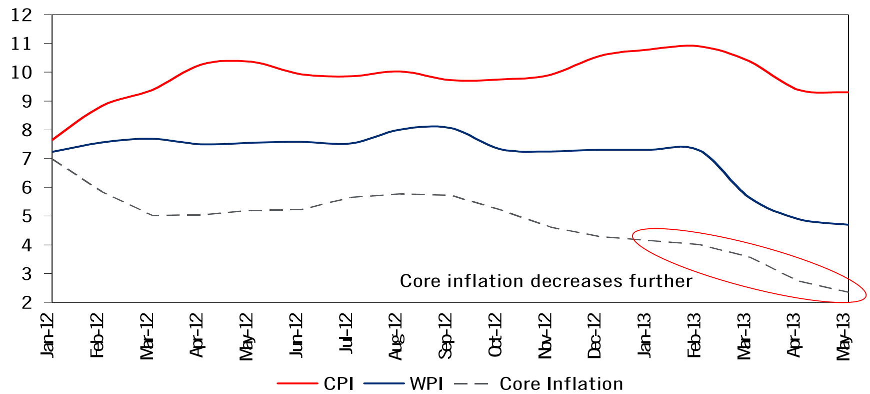
Inflation eased considerably in the past few months…

RBI working paper estimates that a 10% depreciation in the INR, impacts inflation by 60bps.

Going forward, lower food prices due to favorable monsoons could offset the inflationary impact of a weaker INR.

We maintain average WPI and CPI estimates of 5.5% and 7.5%.

Figure 17. Trends in Headline CPI, Headline WPI and Core Inflation (%YoY)



Source: CSO, Office of the Economic Advisor, Citi Research

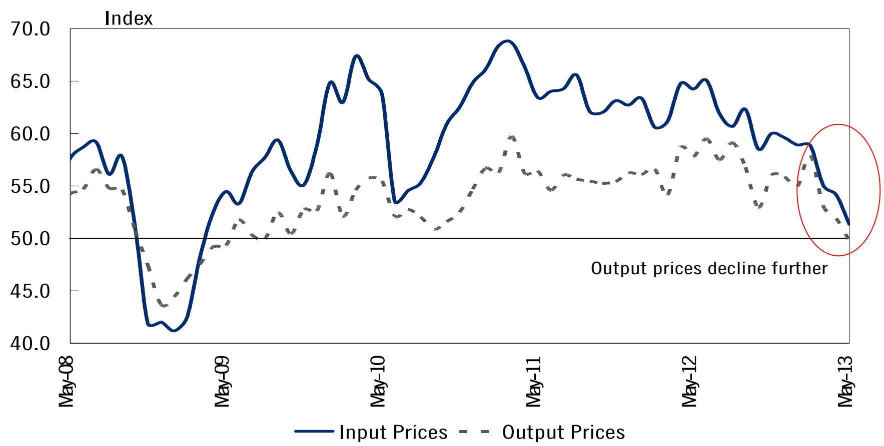
PMI – PRICES SHOW AN UPTICK

After months of decline, Input and Output prices showed an uptick due to the impact of a weak INR.

Output prices were up +1.1pts to 50.9 in June, after reaching a four-year low in May.

Input prices were up +4.6pts to 55.9 after posting the lowest reading since Mar'09 in May.

Figure 18. Trends in PMI Input and Output Prices



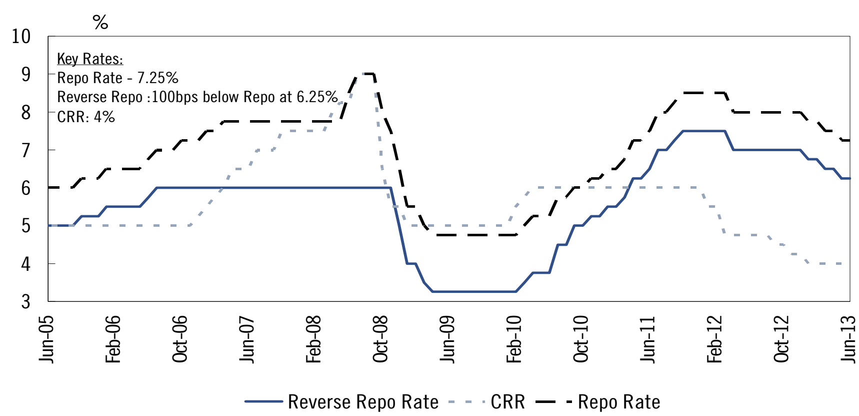
Source: Markit

PAUSE IN RATES FOR 'NOW'

While we maintain our view of a further 50bps cut in policy rates…

….rupee volatility pushes rate cuts out to 2HFY14.

Figure 19. Key Policy Rates (%)



Source: RBI

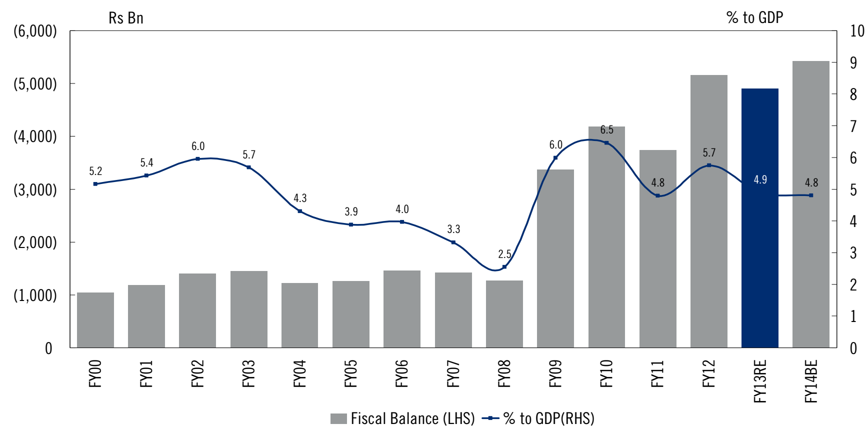
Fiscal Targets Depend on Subsidies

FISCAL DEFICIT AT 4.8% IN FY14

The FY14 budget arithmetic is based on a nominal GDP growth of 12.7%, receipts up 22%, and expenditure up 18.2%.

While these estimates seem a tad optimistic, we expect that the fiscal discipline seen in FY13 will continue, and government would meet its 4.8% deficit target in FY14.

Figure 20. Trends in Fiscal Deficit (Rs bn, % GDP)



Source: Budget Documents

FUEL SUBSIDIES

Our Oil and Gas team estimates gross under-recoveries at Rs1189bn in FY14.

This factors in (1) easing crude prices and (2) diesel price hike of ~Rs0.5/ltr every month.

SENSITIVITY ANALYSIS on LOSSES

US$1/bbl change = Rs40bn

USD/INR change = Rs80bn

Figure 20. Subsidy-Sharing Mechanism

	FY09	FY10	FY11	FY12	FY13	FY14E	FY15E
Gross under-recoveries	**1,033**	**461**	**782**	**1,385**	**1,610**	**1,189**	**541**
Diesel	575	144	345	812	921	506	0
LPG	176	143	220	300	396	354	260
Kero	282	174	197	273	293	328	281
Less: upstream sharing	**329**	**144**	**303**	**550**	**600**	**646**	**446**
% of Total		31%	39%	40%	37%	54%	82%
Less: oil bonds/cash	**713**	**260**	**410**	**835**	**1000**	**542**	**95**
% of Total		56%	52%	60%	62%	46%	18%
Brent Crude (US$/bbl)	85	71.5	87	115	111	104	93
USD/INR		47.5	45.6	48	54.4	57	56

Source: Citi Research

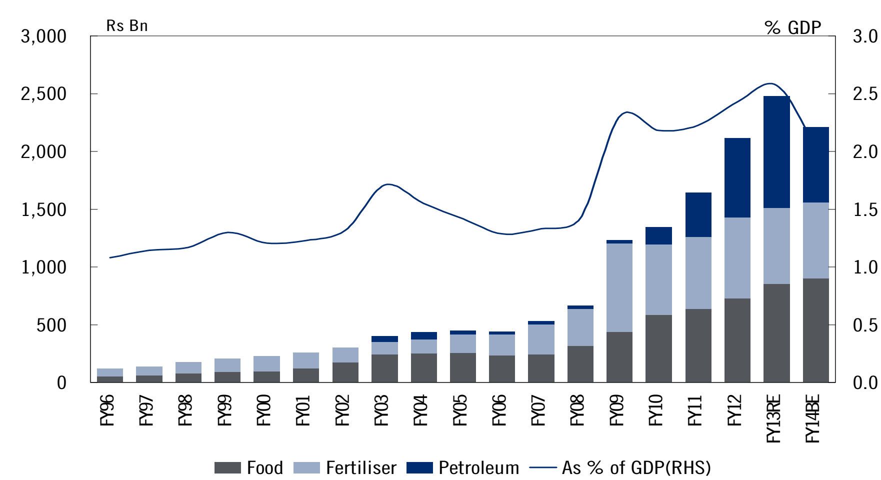
SUBSIDIES: A PRESSURE POINT

In addition to higher fuel subsidies on account of the INR weakness, key to watch would be the proposed implementation of the food security bill.

This entitles two-thirds of population to purchase rice, wheat and coarse cereals at Rs 3, Rs 2, and Rs 1 per kg.

Promulgated as an ordinance, needs to be passed by both houses within six months. Government estimates annual subsidy burden of Rs238 bn on account of this bill.

Figure 21. Trends in Subsidies – Food, Fertiliser, and Fuel (Rs bn, % GDP)



Source: Budget Documents, Citi Research

Since September 12, the government has surprised positively with many important reforms that we believe bode well for the India macro.

Reform momentum has been better than expected, but faces obstacles due to political issues and low productivity in parliament.

Going forward, many of the key pending reforms require parliamentary approval, and hence depend on productivity of upcoming parliament sessions.

Annex – Reforms Announced and Pending

Figure 22. Summary of Reforms since Sept'12

Announced Reform	Key Features	Status of Reform
Fuel Price Hike	Diesel price raised by Rs 5/ltr in 2012.	Rs5/ltr hike implemented in 2012
	Proposed Rs0.5/ltr hike per month in 2013, Bulk users pay market price;	Monthly price hikes being implemented.
Gas Price Hike	Gas price increased to $8.4 per mBtu from $4.2 a mBtu	in effect from April 2014
FDI		
Multi-Brand Retail	51% FDI permitted subject to State approval	Work in Progress but firms seeking clarity on regulations
Single- Brand Retail	FDI beyond 51% requires 30% sourcing locally from MSMEs	Work in Progress, but firms seeking clarity on regulations
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 is public sector undertakings	Ongoing
Competition Bill	All sectors under competition law, merger of weak/ failing banks excluded	
Security Interest/Debt Recovery Bill	Amends the process for recovery of secured loans	Passed by both houses of Parliament
Banking Laws (Amendment) Bill	Addresses issues on capital raising, voting rights,	Passed by both houses of Parliament
SEB loan restructuring	US$38bn of loans restructured/ converted to state debt	UP, Rajasthan and Tamil Nadu accept restructure plan
Overseas Loans	Withholding tax lowered from 20% to 5%	Reduced for All Loans
Companies Bill (Amendments)	Ensures more transparent corporate governance	
Urea Price Hike	Price raised by Rs 50pmt.	Implemented
Govt. UTI sale in select Stocks	Stock sales could raise a total holding ~Rs 440bn	
Rail hike	Across-the-board hike in Passenger fares	Implemented
Import duty on gold & platinum	Import duty on gold and platinum hiked to 6%	Implemented
Sugar decontrol	Sugar mills no longer need sell sugar to Govt. at controlled prices.	Implemented
National Food Security Bill, 2011	Provides food security by providing specific entitlements to certain groups	Promulgated as an ordinance
Pending Reforms	**Key Features**	
Land Acquisition Bill	For commercial land acquisition, and rehabilitation	
Public Procurement Bill, 2012	Regulate public procurement to further transparency and accountability	
Mines and Minerals Bill, 2011	Consolidates and amends the law relating to regulation of mines	
Goods and Services Tax (GST)	Landmark Change - for efficiency, GDP and tax collections	
Direct Taxes Code (DTC)	A simplified Tax platform	

Source: PRS, News Reports, Citi Research

Statistical Snapshot

Figure 23. India Macroeconomic Summary (FY01- FY14E)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012E	2013E
Fiscal Year to 31 March	**FY01**	**FY02**	**FY03**	**FY04**	**FY05**	**FY06**	**FY07**	**FY08**	**FY09**	**FY10**	**FY11**	**FY12**	**FY13E**	**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	100,206	112,932
Nominal GDP (US$ bn)	478	493	528	623	720	834	950	1,241	1,224	1,367	1,710	1,866	1,856	1,981
Per Capita GDP (US$)	469	474	500	582	662	754	847	1,090	1,061	1,168	1,442	1,552	1,521	1,576
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	1.9	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	2.1	3.6
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	7.1	7.3
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	3.9	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	4.0	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	3.9	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	1.7	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	69.1
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	35.6	36.0
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	30.2	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	29.2	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	16.2	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
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	7.5
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	17.2	15.9	13.5	14.3	13.5
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	-4.9	-4.8
State fiscal deficit	-3.7	-3.6	-3.5	-3.9	-3.4	-2.5	-2.1	-1.4	-2.3	-2.9	-3.2	-2.3	-2.1	-1.9
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	-7.0	-6.7
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	306.6	335.7
% 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	-1.0	9.5
Imports (US$bn)	57.9	56.3	64.5	80.0	118.9	157.1	190.7	257.6	308.5	300.6	383.5	499.5	502.2	522.3
%YoY	4.6	-2.8	14.5	24.1	48.6	32.1	21.4	35.1	19.8	-2.6	27.6	30.3	0.5	4.0
Trade deficit (US$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	-195.7	-186.6
Invisibles (US$bn)	9.8	15.0	17.0	27.8	31.2	42.0	52.2	75.7	91.6	80.0	79.3	111.6	107.5	105.3
Current Account Deficit (US$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	-88.2	-81.3
% 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	-4.8	-4.1
Capital Account (US$bn)	8.8	8.6	10.8	16.7	28.0	25.5	45.2	106.6	6.8	51.6	63.7	67.8	89.3	83.6
% GDP	1.9	1.7	2.1	2.7	3.9	3.1	4.8	8.6	0.6	3.8	3.7	3.6	4.8	4.2
Forex Assets (excl gold) (US$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	264.7	267.0
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	6.3	6.1
External Debt (US$bn)	101.3	98.8	104.9	112.7	134.0	139.1	172.4	224.4	224.5	260.9	305.9	345.5	390.0	405.0
Short Term Debt (US$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	96.7	101.7
Exchange Rate														
US$/INR - annual avg	45.7	48.0	48.3	45.9	45.0	44.3	45.2	40.2	46.0	47.4	45.6	48.1	54.0	57.0**
% depreciation	5.3	5.0	0.6	-5.0	-2.0	-1.6	2.0	-11.1	14.4	3.0	-3.8	5.5	12.3	5.6
US$/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	57.0**
% 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	5.0

* At current prices.
** Currency Forecasts are as of June 19, 2013 – Global Economic Outlook and Strategy. Source: CSO, RBI, Ministry of Finance, Citi Research estimates

Appendix A-1

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