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Country Outlook: India

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Economics Team

Nor Zahidi Alias
Chief Economist
+603 2082 2200
zahidi@marc.com.my

Mohd Afzanizam Abd Rashid
Economist
+603 2082 2200
afzanizam@marc.com.my

James Foo Kok Chye
Economic Analyst
+603 2082 2200
jamesfoo@marc.com.my

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In a nutshell

- ► India's growth story continues to captivate investors. Following a magnificent recovery from the Great Recession in 2009, the government, in its February forecast, anticipated the economy to expand by 8.6% in the financial year ending March 2011. The robust expansion is due in large part to resilient domestic demand, as evidenced by the robust expansion in private consumption (e.g. passenger-car sales) as well as the strong external sector, as reflected in the country's merchandise exports [accounting for approximately 15% of gross domestic product (GDP)] which has regained pre-crisis levels.

- ► Strong growth, however, has come with some side effects. Issues concerning inflation are taking center stage after the wholesale price index (WPI) surged to a double-digit rate in April 2010. Strong growth in the index of industrial production (IIP), particularly for consumer durables, implies that demand-driven inflation is present in the economy. Apart from the demand factor, higher prices were also driven by high import levels, which increased the economy's susceptibility to volatility in international prices. This was particularly true in the case of petroleum, where oil accounted for one third of the country's total imports.

- ► After leaving its key rates unchanged on December 16, 2010, the RBI hiked up the rates by 25 basis points (bps) each in January and March this year as inflationary pressures continued to cause concerns among policymakers. As at the date of this report, the repurchase (repo) rate, reverse repo rate as well as cash reserve ratio (CRR) stand at 6.75%, 5.75% and 6.00% respectively. The RBI has been very vigilant about inflation risks, having raised policy rates faster than any other central bank in Asia. We expect the upward pressure on the key rates to continue in the next few quarters.

- ► The budget deficit is a thorny issue for India. However, the mid-term review of the fiscal year ending March 2011 revealed that the fiscal deficit is well contained. This is reflected in the improvement of the deficit level to 1.9% of GDP in 1H2010-11 ending September 2010 compared with the 3.2% recorded in the previous corresponding period. The improvement was largely attributed to higher revenue collection on the back of the economic recovery and better corporate profitability during the period. In addition, non-tax revenue increased dramatically in 1H2010-11 following the auctions of 3G spectra and broadband wireless access (BWA). The challenge, however, is to bring down the deficit level to 3.5% of GDP by 2013-14, as planned by the government.

- ► The balance of payments position is not as favourable when compared with some emerging Asian countries. In 1H2010-11 of fiscal year ending March 2011, the current-account deficit widened to 3.6% of GDP from 2.2% of GDP owing to higher deficits in merchandise balance as imports persistently outweighed exports. However, the capital account registered a surplus balance of 4.8% of GDP in 1H2010-11, higher than the 3.9% registered in the same period last year. Overall, the balance of payments (BoP) was at USD7.0 billion in 1H2010-11, lower than the USD9.5 billion of the previous period.

- ► India's competitiveness and governance can be further improved, judging by its current standing. The recent drop in the latest Global Competitiveness Index (GCI) 2010-2011 to 51st position from 49th position was due to factors such as inadequate infrastructure as well as corrupt and inefficient government bureaucracy. Similarly, based on the World Bank's World Governance Indicators (WGI), India recorded lower scores in government effectiveness and control of corruption in comparison with other countries in the Asian region.

- ► Other macro matrices such as GDP growth, inflation and population growth suggest that India is in the neutral quadrant when compared with other emerging Asian countries. Being in a high-growth and high-inflation quadrant, India will likely continue to focus on efforts to combat inflationary pressures. The country's high population growth has led to lower per capita income for India and put the country in the same quadrant as China, Thailand and Indonesia.

Introduction

One of the oldest civilisations in the world, the Republic of India (India) attained commendable socio-economic progress since its Independence on August 15, 1947, becoming a nation self-sufficient in agricultural production, thanks to its vast land area. Indeed, covering an area of 3,287,590 square kilometres that extends from the snow-covered Himalayan heights to the tropical rainforests of the south, India is the seventh-largest country in the world and is distinct from the rest of Asia as it is delineated by both mountains and the sea, i.e. the Great Himalayas in the north, the Indian Ocean between the Bay of Bengal on the east, and the Arabian Sea on the west. Situated entirely in the northern hemisphere, the mainland stretches from latitudes 8° 4' to 37° 6' north, longitudes 68° 7' and 97° 25' east and measures approximately 3,214 km from north to south between the extreme latitudes and about 2,933 km from east to west between the extreme longitudes.

India's history was traced back to the Indus Valley civilisation. Having flourished during the 3rd and 2nd millennia B.C., it extended into northwestern India. Aryan tribes from the northwest subsequently made inroads into the Indian subcontinent about 1500 B.C., their merger with the earlier Dravidian inhabitants creating the classical Indian culture. The Maurya Empire of the 4th and 3rd centuries B.C., at its height, helped unite a significant part of South Asia. From the 4th to 6th centuries A.D., Indian science, art, and culture flourished during the Golden Age brought on by the Gupta Dynasty. Islam then increased in popularity across the subcontinent over a period of seven centuries.

In the 10th and 11th centuries, Turks and Afghans invaded India and institutionalised the Delhi Sultanate. In the early 16th century, the Emperor Babur established the Mughal Dynasty which ruled over the land for more than 300 years. European explorers also began establishing footholds in India in the same century. The 19th century saw Great Britain becoming the dominant political power on the subcontinent, with the British Indian Army playing a vital role in both World Wars I and II. Non-violent resistance to British rule, helmed by Mohandas Gandhi and Jawaharlal Nehru, successfully brought the nation independence in 1947. Communal violence, however, caused the subcontinent to experience a bloody partition, which resulted in the creation of the two separate states of India and Pakistan that subsequently fought three wars since Independence, the last of which in 1971 ended up with East Pakistan becoming the separate nation of Bangladesh.

According to a 2001 census, although English is the most important language for national, political, and commercial communication, Hindi is the most widely spoken language and primary tongue of 41% of the people. The republic has 14 other official languages: Bengali, Telugu, Marathi, Tamil, Urdu, Gujarati, Malayalam, Kannada, Oriya, Punjabi, Assamese, Kashmiri, Sindhi, and Sanskrit. Hindus represent 80.5% of the population, followed by Muslims (13.4%), Christians (2.3%), Sikhs (1.9%), and others (1.9%).

Although the country is bogged down by such issues as significant overpopulation (July 2010 estimate: 1,173,108,018; 2010 birth rate estimate: 21.34 births/1,000 population; 2010 death rate estimate: 7.53 deaths/1,000 population), considerable environmental degradation, extensive poverty, and widespread corruption, its rapid economic development in recent years is propelling it forward to achieve greater prominence in the global arena. In January 2011, India assumed a non-permanent seat in the United Nations' Security Council for the 2011-12 term.

Chart 1: The map of India

Source: Google Maps

The government and legal system

The Republic of India is a Union of States, a Sovereign Socialist Secular Democratic Republic with a parliamentary system of government. The Republic is governed in terms of the Constitution of India which was adopted by the Constituent Assembly on November 26, 1949 and came into force on January 26, 1950. The Constitution provides for a Parliamentary form of government which is federal in structure with certain unitary features. The President plays the role of the constitutional head of the Executive of the Union, and joins forces with two Houses known as the Council of States (Rajya Sabha) and the House of the People (Lok Sabha) to form the council of the Parliament of the Union, in accordance with Article 79 of India's Constitution. Article 74(1) of the Constitution states that there shall be a Council of Ministers with the Prime Minister as its head to assist and advise the President, who shall then exercise his functions accordingly. The real executive power, therefore, lies in the hands of the Council of Ministers with the Prime Minister taking the lead.

This Council of Ministers is collectively responsible to the House of the People (Lok Sabha). Every state has a Legislative Assembly, but several states have an upper House that is also called the State Legislative Council. A Governor is appointed for each state by the President to be in charge of that state, and the state's executive power is vested in him. The Council of Ministers with the Chief Minister as its leader advises the Governor in the area of executive functions, and is collectively responsible to the Legislative Assembly of the State. The Constitution distributes legislative powers between Parliament and State legislatures according to the lists of entries in the Seventh Schedule to the Constitution. The residuary powers remain with the Parliament. The current President is Smt. Pratibha Devisingh Patil, assisted by Vice President Shri Mohd. Hamid Ansari, while Dr. Manmohan Singh holds the Prime Minister position.

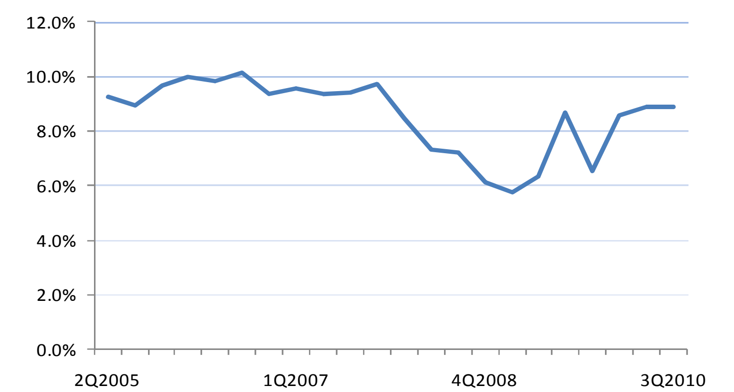
The legal system prevailing in the country is based on English common law, but separate personal law codes apply to Christians, Hindus, and Muslims – the nation's three major religions. The judicial system consists of the Supreme Court of India, High Courts at the state level, and District and Session Courts at the district level. The Supreme Court of India is comprised of a Chief Justice and 30 associate justices, all appointed by the President on the advice of the Chief Justice of India. In the 1960s, India stopped using juries for most trials as they were deemed corrupt and ineffective. Almost all trials accordingly became conducted by judges instead.

The economy

India began opening up its economy in earnest in the early 1990s via industrial deregulation, privatisation of state-owned enterprises, and reduced controls on foreign trade and investment. Its growth consequently accelerated, and has averaged more than 7% per annum since 1997. The economy's diversity is evident in the range of economic activities that include traditional village farming, modern agriculture, handicrafts, as well as a wide spectrum of modern industries and services. A good majority of the workforce is in agriculture, producing such commodities as rice, wheat, oilseed, cotton, tea, lentils, onions, and dairy products, but services are increasingly driving economic growth, generating over half of economic output with only about one-third of its labour force. In 2010, the economy recovered magnificently from the Great Recession, due in large part to resilient domestic demand (growth was estimated to have exceeded 8% year-on-year (y-o-y) in real terms). Merchandise exports, accounting for approximately 15% of gross domestic product (GDP), regained pre-crisis levels.

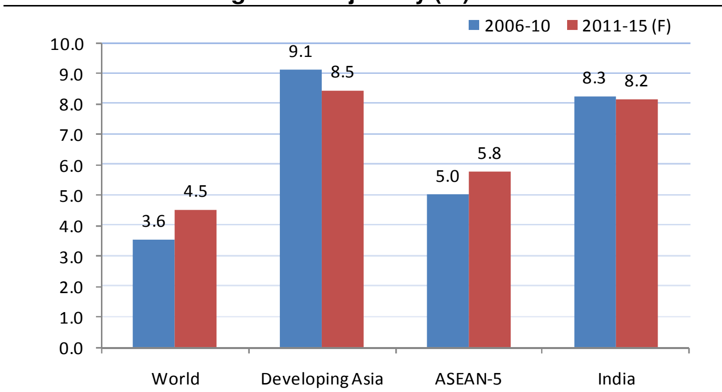
However, the flip side of the story is: strong industrial expansion, taken in concomitance with high food prices resulting from the weak monsoon in 2009 and inefficiencies in the government's food distribution system, provided fuel for the fire of inflation, which peaked at about 11% in 1H2010, but has gradually cooled to single-digit rates following the series of interest-rate hikes by the Reserve Bank of India (RBI). In the same manner, the government clamped down on subsidies in fuel and fertilisers, hived off a small percentage of its shares in some state-owned enterprises and auctioned off rights to radio bandwidth for third-generation (3G) telecommunications to shrink the budget deficit to 5.5% of GDP in the 2010-11 financial year, from the 6.8% recorded in the previous fiscal year. The economy's long-term challenges include widespread poverty, inadequate physical and social infrastructure, limited non-agricultural employment opportunities, insufficient access to quality basic and higher education (2003-2008 total adult literacy rate was just 66%), and accommodating rural-to-urban migration.

Chart 2: GDP growth (%)



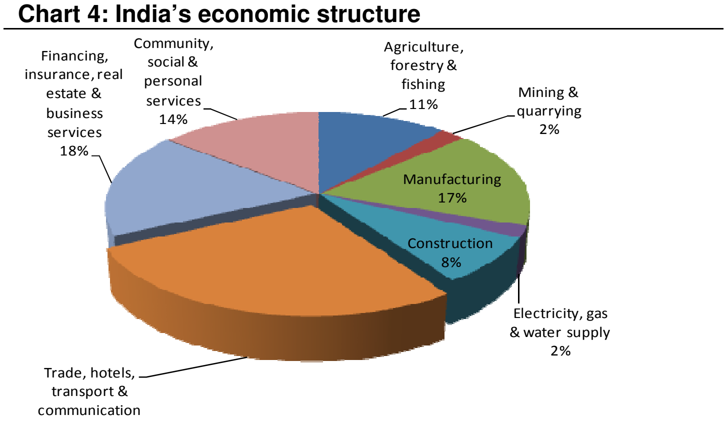
Source: IMF

Chart 3: Real GDP growth trajectory (%)



Sources: IMF World Economic Outlook & MARC Economic Research
Note: F = Forecast

Chart 4: India's economic structure



Source: CEIC

4Q2010 GDP growth on trajectory

The economy was cruising at a healthy speed for the most part of the year, and rose by 8.2% y-o-y in 4Q2010. The growth was helped by strong expansion in domestic demand, albeit at a slower pace than the preceding quarter, as well as exports. Upon further scrutiny, private consumption appears to be the main engine of growth, rising by 9.0% versus the 8.6% pace recorded in the previous quarter. However, investment activities are shifting into lower gear as growth moderated from 17.8% in 3Q2010 to 6.0% in 4Q2010. Despite that, investment is perceived to be growing at a healthy clip, given that it has registered a double-digit average growth in the past year.

On the supply side, growth was supported by higher output in the agricultural sector, with production rising by 8.9% in 4Q2010 versus the 4.4% expansion in the preceding quarter. This higher agricultural output was largely driven by favourable cumulative rainfall of 912.8 millimetres that was 2% above the normal season between June 1 and September 30, 2010. 4Q2010 GDP growth was also helped by strong expansion in services subsector components such as electricity, gas & water supply, as well as financing, insurance, real estate & business services, with the sectors growing at 6.4% (3Q2010: 3.4%) and 11.2% (3Q2010: 8.2%) respectively. For the calendar year 2010, the Indian economy continued to expand at a decent rate of 8.6%, versus 6.8% in the previous corresponding period.

Table 1: India's quarterly GDP growth y-o-y%

	4Q 09	1Q 10	2Q 10	3Q 10	4Q 10
GDP	**7.3%**	**8.6%**	**8.9%**	**8.9%**	**8.2%**
By expenditure					
Consumption	7.4%	2.6%	7.4%	8.9%	6.9%
Private consumption	7.0%	2.6%	7.0%	8.6%	9.0%
Public consumption	9.6%	2.1%	9.1%	10.4%	-3.0%
Gross fixed capital formation	8.7%	17.7%	25.7%	17.8%	6.0%
Exports	-3.9%	14.2%	14.2%	13.8%	16.2%
Imports	1.3%	-3.7%	12.3%	13.8%	-7.3%
By industry					
Agriculture, forestry & fishing	-1.6%	0.7%	2.5%	4.4%	8.9%
Mining & quarrying	5.2%	14.0%	8.4%	7.9%	6.0%
Manufacturing	11.4%	16.3%	13.0%	9.8%	5.6%
Electricity, gas & water supply	4.5%	7.1%	6.2%	3.4%	6.4%
Construction	8.3%	8.7%	10.3%	8.7%	8.0%
Trade, hotels, transport & communication	10.8%	12.4%	11.0%	12.1%	9.4%
Financing, insurance, real estate & bus. services	8.5%	7.9%	7.9%	8.2%	11.2%
Community, social & personal services	7.6%	1.6%	7.8%	7.4%	4.8%

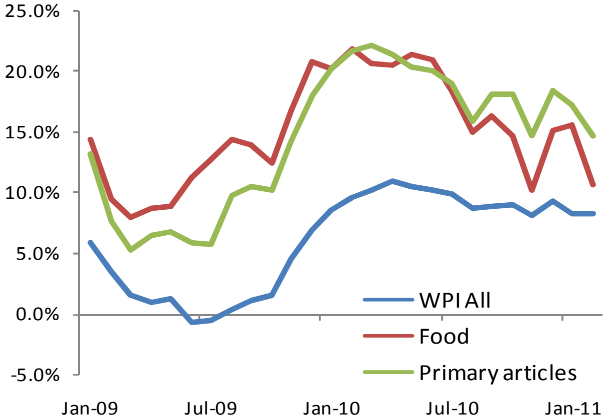
Sources: CEIC & MOSPI

Inflation has softened, but…

The Wholesale Price Index (WPI), an important gauge of India's inflation, has moderated in recent months, thanks to favourable weather conditions which significantly improved the country's production activities. The February 2011 WPI reading rose moderately at 8.3% after reaching its peak of 11.0% in April 2010. However, persistently strong activities have caused expectations of elevated price levels as demand-led inflation looks likely to set in. This is premised on the strong performance of the index of industrial production (IIP), whereby production for consumer goods increased at a healthy clip of 11.3% in January this year. Such healthy production levels suggest strong consumer demand, as evidenced by the higher growth in passenger-car sales of 19.9% in the first two months of 2011 despite the higher base registered in the same period last year (2M2010: 37.1%).

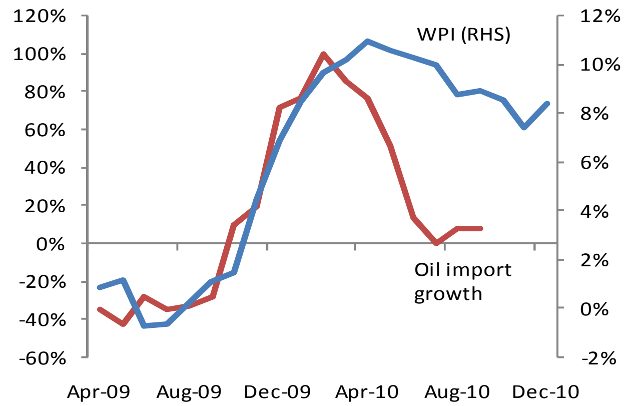
Apart from the demand factor, higher prices were also driven by high import levels, which increased the economy's susceptibility to volatility in international prices. This was particularly true in the case of petroleum, where oil accounted for one-third of the country's total imports. Looking at Chart 6, one can deduce that oil imports and the WPI are moving in the same direction, as higher petroleum cost is being passed on to the final consumers. At one point, oil imports grew by 100% y-o-y in February 2010 when crude oil prices traded in the range of USD76 to USD78 per barrel, against USD39 to USD42 per barrel in February 2009. Consequently, the WPI rose to 8.5% and 9.7% between January and February 2010 after rising by 3.5% in February 2009.

Chart 5: Wholesale price index (WPI) (y-o-y%)



Source: Ministry of Commerce and Industry, India

Chart 6: WPI and oil import growth (y-o-y%)

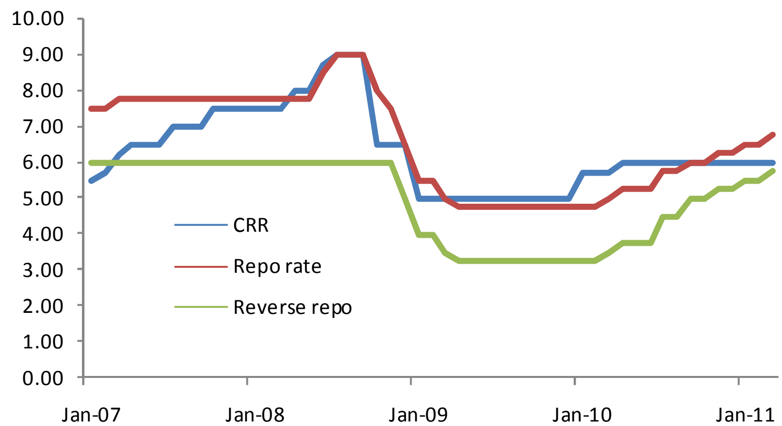


Sources: RBI & Ministry of Commerce and Industry, India

Monetary tightening to the fore

On March 17, 2011, the RBI raised key interest rates by a quarter point each to clamp down on resurgent inflation. This increase was the sixth since February 2011, bringing the repo rate to 6.75% from 6.50%, and the reverse repo rate to 5.75% from 5.50%. The CRR, however, stands pat at 6.00% to ensure the system has enough liquidity to meet loan requirements. The RBI has been very vigilant about inflation risks, having raised policy rates faster than any other central bank in Asia. We expect the same modus operandi in the coming months as current WPI readings linger above the target rate of 5.5%. Apart from that, the amount of credit extended by the banks have been generally sustained at a double-digit growth rate, with the latest print showing a 23.3% y-o-y increase in February 2011 (January: 23.3%).

Chart 7: RBI policy rates



Source: Bloomberg

Fiscal deficit is well contained

The mid-term review of the fiscal year ending March 2011 revealed that the fiscal deficit is well contained. In 1H2010-11 ending September 2010, the fiscal deficit as a percentage of GDP improved to 1.9% from the 3.2% recorded in the previous corresponding period. Such encouraging performance was largely attributed to higher revenue collection, which grew by 63% due to higher contributions from tax revenue which expanded by 25.7% on the back of the economic recovery and better corporate profitability during the period. Also, non-tax revenue increased by a whopping 180% in 1H2010-11, sourced mainly from the auctions of 3G spectra and broadband wireless access (BWA).

Table 2: Trends in the Deficit (April-September period)

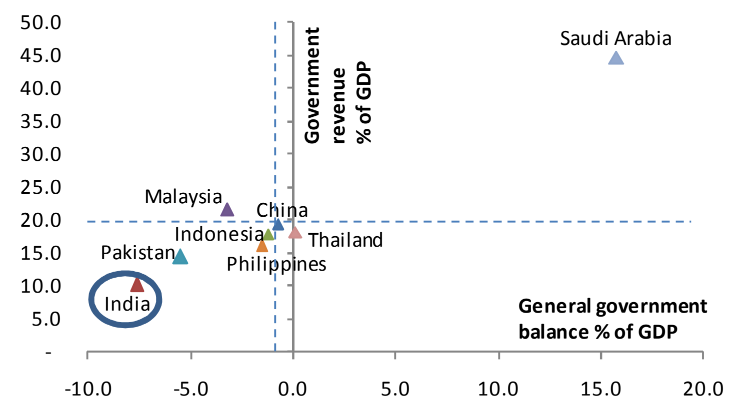
Rs.Crore	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Fiscal Deficit (Actual) (Apr-Sep)	83,843	86,461	81,200	102,654	197,775	133,252
Fiscal Deficit (BE) for the full year	151,144	148,686	150,948	133,287	400,996	381,408
Percentage of BE	55.5	58.2	53.8	77	49.3	34.9
Percentage of GDP	2.3	2.1	1.7	1.9	3.2	1.9

Source: Ministry of Finance

Note: BE = Budget Estimates

Other than revenue, total expenditure appears to be growing at a modest pace of 19.9% against the 28.5% registered in the previous corresponding period. Spending cuts on major subsidies such as food and fertilisers have helped to put a lid on rising non-planned expenditure which moderated to 14.3% in 1H2010-11 (previous: 33.8%). Hence, the government has exhibited a certain amount of credibility in managing its resources, especially when the economy's growth has started to normalise at close to 9.0%. The latest Budget 2011-12, which was unveiled on February 28, showed the government's commitment to reducing its fiscal deficits from a revised 5.1% in 2010-11 to 4.6% of GDP in 2011-12. This is expected to be achieved through higher tax collections (+17.9%) as well as moderate increase in total expenditure.

Chart 8: General government balance % of GDP (x-axis) and government revenue % of GDP (y-axis) 5-year median



Sources: International Monetary Fund (IMF) & MARC Economic Research

Despite that, the country is generally characterised by high government debt and fiscal deficits relative to some emerging economies. In Chart 8, we utilise IMF data as published in the agency's *Fiscal Monitor* report dated November 2010. Government debt as a percentage of GDP is located on the Y-axis, while general government balance as a percentage of GDP is on the X-axis. Both figures are measured in terms of their 5-year medians in order to give a fair assessment.

The matrix reveals that the Indian economy's indebtedness and fiscal shortfall are very much on the high side, with these factors dragging the country into the least favourable quadrant. Against such a backdrop, the government must strive to reduce its debt burden to be in line with that of its regional peers. Apart from that, Chart 8 also shows that while the size of India's government revenue (in relation to its regional peers) appears to be on the low side, it also has a high fiscal deficit. In such an instance, India has little leeway to bump up its spending further. The government should instead strive to control its spending to avoid unnecessary pressures in financing the budget gap.

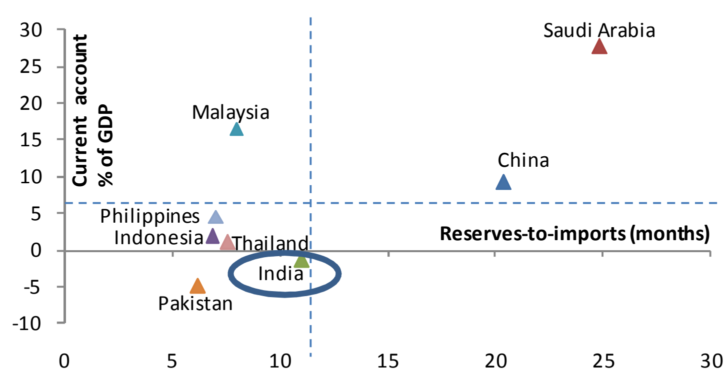
Be that as it may, India's mid-term fiscal performance has suggested that the government is on the right track as they managed to reverse some of the tax cuts granted at the height of the recent global crisis. Therefore, we are not overly concerned about the country's fiscal position relative to its peers.

Balance of payments

In 1H2010-11 of fiscal year ending March 2011 (i.e. April – September 2010), the current-account deficit widened to USD27.9 billion or 3.6% of GDP from the USD13.3 billion (-2.2% of GDP) registered in the previous corresponding period, with the shortfall caused by higher deficits in merchandise balance of USD66.9 billion (April – September 2009: -USD55.9 billion) as imports persistently outweighed exports. Nonetheless, workers' remittances or transfers managed to offset the deficit in the current account as they continued to register a surplus of USD26.1 billion or 3.4% of GDP owing to better economic performance globally. Meanwhile, the capital account registered a surplus balance of USD36.7 billion or 4.8% of GDP in 1H2010-11, higher than the USD23.0 billion (3.9% of GDP) in the same period last year. The positive balances were largely attributed to portfolio investment, which received net inflows of USD23.8 billion (3.1% of GDP), followed by external loans of USD15.7 billion. Consequently, the overall balance registered at USD7.0 billion in 1H2010-11, lower than the USD9.5 billion of the previous period.

In comparison with its regional peers, India's external account appears to be on the low side with its current-account balance and reserves-to-imports ratio located in the least favourable quadrant, suggesting that India's external balances are highly susceptible to capital flows, which can complicate its monetary policy maneuvering, especially during periods of extreme volatility.

Chart 9: Reserve-to-import (x-axis) and current account % of GDP (y-axis) 5-year median



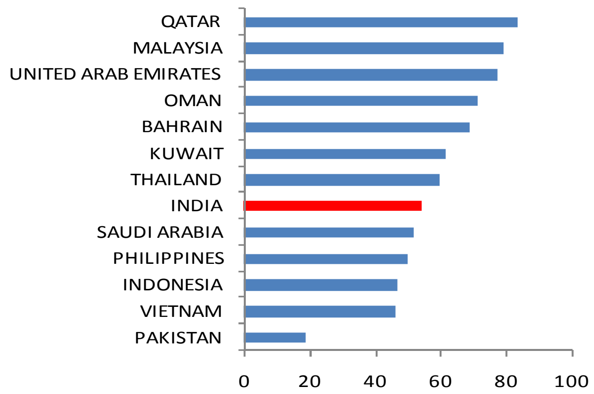
Sources: Asian Development Bank (ADB), IMF & MARC Economic Research

Competitiveness and governance - still some room for improvement

Strong economic growth will undoubtedly remain a notable selling point of the country. But more needs to be done, especially in the area of developing the country's competitiveness to ensure sustained economic growth and investment inflows. The latest Global Competitiveness Index (GCI) 2010-2011 produced by the World Economic Forum revealed that India had slipped two notches from 49th to 51st out of 139 countries surveyed across the globe. The most problematic factors for doing business, according to the report, are inadequate infrastructure as well as corrupt and inefficient government bureaucracy.

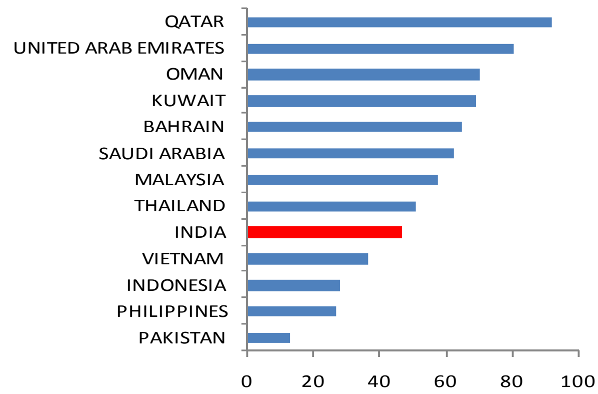
Issues on governance are also worth noting as they can have a drastic impact on investor confidence. The World Bank's World Governance Indicators (WGI) are broadly defined as the set of traditions and institutions exercised by authorities in a given country. There are six dimensions in the WGI categorisation, whereby each of them will be ranked with the highest score that implies improvement, and vice versa. India recorded lower scores in government effectiveness and control of corruption in comparison with other countries in the Asian region. Reasons for this include allegations of corruption in the 2010 Commonwealth Games projects and political debates on 3G spectrum payments, which resulted in parliamentary proceedings reaching a deadlock. These issues are potentially damaging to investor sentiment.

Chart 10: Government effectiveness (2009)



Source: World Governance Indicators (WGI), World Bank

Chart 11: Control of corruption (2009)



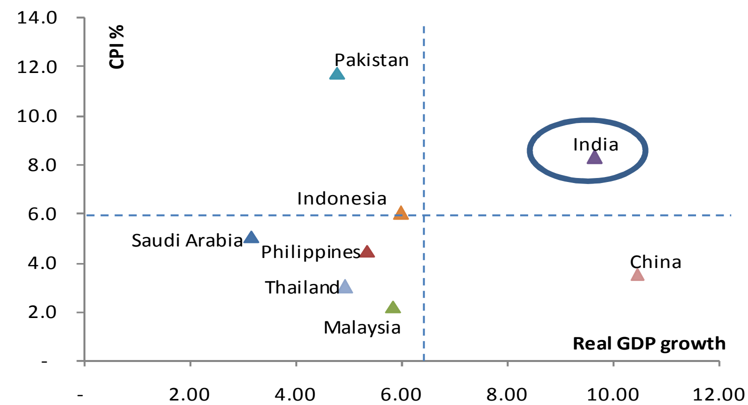
Source: World Governance Indicators (WGI), World Bank

Other macro matrices

i) GDP growth and CPI

Ideally, countries should strive for high growth while maintaining low-inflation environments to achieve sustainable economies that will benefit their respective citizenries. In this case, India appears to be growing on a higher trajectory than its peers. However, such strong growth performance has brought about higher inflationary pressures, considerably greater than what has been experienced by its regional peers. This has placed India in a less-favourable quadrant, although it may not be the worst quadrant that is presently occupied by its neighbour Pakistan (see Chart 12). This mapping exercise clearly showed that issues on inflation require careful attention by the authorities, especially when private consumption constitutes a large share of the economy.

Chart 12: GDP growth (x-axis) and CPI (y-axis) 5-year median

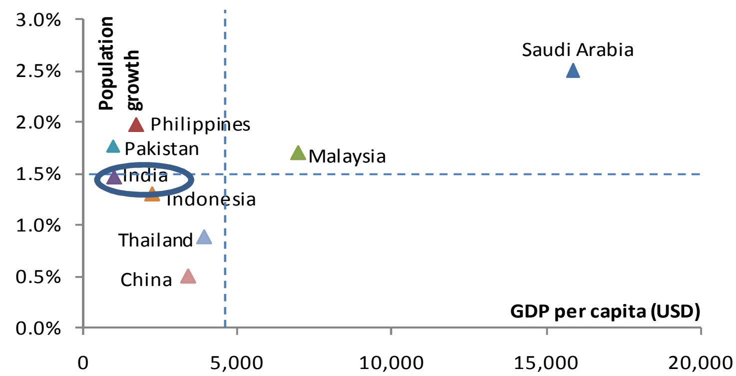


Sources: ADB, IMF & MARC Economic Research

ii) GDP per capita and population growth

Income distribution is perhaps one of the most important issues in any government agenda. In this regard, we look at the GDP per capita and population growth as a means to gauge the extent of income distribution in the country. It appears that India's population growth has been growing at the same pace with the region's five-year median average of 1.5%, but at the same time, it has a low per capita income (five-year median: USD1,032). This suggests that the country would need to improve its basic infrastructure such as schools, roads, and access to clean water in order to improve per capita income among its citizenry. The latest *Human Development Report 2010* released by the United Nations Development Programme (UNDP) showed that the average years of schooling in India is about 4.4 years – a stark contrast indeed with the region's 6.9 years. Therefore, India's commitment to improve its basic infrastructure will continue to be the main agenda in light of the strong population growth.

Chart 13: GDP per capita (x-axis) and population growth (y-axis) 5-year median



Sources: IMF & MARC Economic Research

Appendix

India Economic Statistics	2005-06	2006-07	2007-08	2008-09	2009-10
National Account (Growth)					
GDP	**9.5%**	**9.7%**	**9.2%**	**6.7%**	**7.4%**
Supply side					
Agriculture, forestry & fishing	5.2%	3.7%	4.7%	1.6%	0.2%
Mining & quarrying	1.3%	8.7%	3.9%	1.6%	10.6%
Manufacturing	9.6%	14.9%	10.3%	3.2%	10.8%
Construction	12.4%	10.6%	10.0%	5.9%	6.5%
Services	10.9%	10.2%	10.4%	9.5%	8.5%
Demand side					
Total final consumption expenditure	8.9%	7.5%	9.8%	8.3%	4.8%
-Private final consumption expenditure	9.0%	8.2%	9.8%	6.8%	4.3%
-Government final consumption expenditure	8.3%	3.8%	9.7%	16.7%	10.5%
Gross fixed capital formation	15.3%	14.3%	15.2%	4.0%	7.2%
Exports	25.9%	21.8%	5.2%	19.3%	-6.7%
Imports	32.5%	22.0%	10.0%	23.0%	-7.3%
Public Finance (% of GDP)					
Revenue	**9.4%**	**10.1%**	**10.9%**	**10.0%**	**9.8%**
-Tax revenue	7.3%	8.2%	8.9%	8.4%	7.6%
-Non-tax revenue	2.1%	1.9%	2.1%	1.7%	2.2%
Revenue expenditure	**11.9%**	**12.0%**	**12.0%**	**14.4%**	**14.3%**
-Non-developmental	7.0%	6.8%	6.6%	7.4%	7.7%
-Developmental	4.2%	4.6%	4.8%	6.5%	6.1%
Capital expenditure	**1.5%**	**1.2%**	**2.2%**	**1.6%**	**1.9%**
Fiscal deficit	**4.0%**	**3.3%**	**2.6%**	**5.9%**	**6.4%**
Primary deficit	**0.4%**	**-0.2%**	**-0.9%**	**2.4%**	**2.9%**
Government debt	**61.0%**	**59.3%**	**57.4%**	**56.3%**	**56.1%**
Inflation Rate					
Wholesale Price Index (WPI)	4.4%	5.4%	4.8%	8.3%	3.8%
Consumer Price Index (CPI)	4.2%	6.8%	6.4%	9.0%	12.4%
Money, Banking and Policy Rates					
M1 growth	18.9%	20.3%	15.9%	14.5%	15.8%
M3 growth	15.4%	20.5%	22.1%	20.5%	19.2%
Bank credit growth (scheduled commercial banks)	37.0%	28.1%	22.3%	17.5%	16.9%
Loan-to-deposit ratio (scheduled commercial banks)	71.5%	73.9%	73.9%	72.4%	72.2%
Gross non-performing asset (NPA) ratio (scheduled commercial banks)	3.3%	2.5%	2.3%	2.3%	na
Repurchase (REPO) rate	6.50%	7.75%	7.75%	5.00%	6.50%
Reverse REPO rate	5.50%	6.00%	6.00%	3.50%	5.50%
Cash Reserve Ratio (CRR)	5.00%	6.00%	7.50%	5.00%	6.00%
Statutory Liquidity Ratio (SLR)	25.00%	25.00%	25.00%	24.00%	25.00%
Balance of Payments (% of GDP)					
Current account	-1.2%	-1.0%	-1.3%	-2.4%	-2.9%
Capital account	3.0%	4.8%	8.6%	0.5%	4.1%
Overall balance	1.8%	3.8%	7.5%	-1.7%	1.0%
International reserves (USD billion)	151.6	199.2	309.7	252.0	279.1
Reserves-to-imports (x)	11.6	12.5	14.4	9.8	11.2
External debt (USD billion)	139.1	172.4	224.4	224.5	261.5
External debt (% of GDP)	17.3%	18.2%	18.1%	20.5%	18.9%
Debt-service ratio (%)	10.1	4.7	4.8	4.4	5.5
Development Indicators					
Population (in billions)	1.1	1.1	1.1	1.2	1.2
Population growth	1.6%	1.4%	1.4%	1.4%	1.4%
GNI per capita (constant 2008 PPP USD)	2597	2801	2932	3090	3337
Life expectancy at birth (years)	63.0	63.4	63.7	64.0	64.4
	1990	**1995**	**2000**	**2005**	**2010**
Human Development Index (HDI) - medium high development	0.389	0.415	0.440	0.482	0.519

Sources: Reserve Bank of India, India Central Statistical Office (CSO), Ministry of Finance (India) & UNDP

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MALAYSIAN RATING CORPORATION BERHAD (Company No.: 364803-V)
5th Floor, Bangunan Malaysian Re, No. 17, Lorong Dungun, Damansara Heights, 50490 KUALA LUMPUR
Tel.: +603 2082 2200 Fax: +603 2094 9397 E-mail: marc@marc.com.my
Homepage: www.marc.com.my