

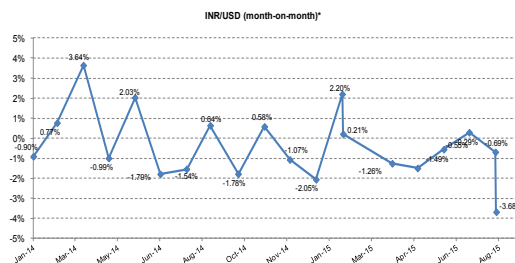
1-year BRICs performance comparison*

India's SENSEX emerged 2nd amongst the BRICS (1-year)



In descending order (from 31st Aug 2014 to 31st Aug 2015): **SHCOMP** (Shanghai Composite Index), **INDXCF(MICEX)**, **BSE SENSEX** (Bombay Stock Exchange Index) & **IBOVSPA** (Brasil Sao Paulo Stock Exchange Index).

INR/USD chart (from Jan 2014 to Aug 2015)**



* Source: Bloomberg

** S&P

Moody's says India's economic potential 'high'

Moody's assessed India's economic strength as High (+) relative to all other sovereigns it rates based on the size of its economy, its growth rate and expectation of continued strong economic growth support.

Minimum Alternate Tax (MAT) Not Applicable on FPIs

The Government of India has accepted the High Level Committee (HLC) (Headed by Justice A.P. Shah on Direct Tax Matters constituted to examine the matter relating to levy of MAT on FPIs) report and decided to appropriately amend the income tax law. Through an amendment, the Government proposes to clarify that MAT provisions will not apply to FPIs that do not have a place of business/permanent establishment in India, for the period prior to April 01, 2015.

GDP Forecast at 8-8.5%

India's Chief Economic Advisor Arvind Subramanian has maintained the official Economic Survey's GDP growth forecast of 8-8.5% for the current financial year. This is in spite of the April-June growth of 7%. He said, with declining oil and commodity prices, government revenues have increased and subsidies payments declined. So, net indirect taxes, increased substantially.

Industrial production likely to gain gradually

The recovery in industrial production is likely to be gradual. Notwithstanding the surge this month due to a favorable base, consumption still remains muted. 1. Lower inflation, 2. Transmission of earlier monetary easing & further expectations of another 25 bps rate cut and 3. Muted crude oil prices are likely to help revive consumer sentiment. Consumption recovery is likely to be urban led as an uncertain monsoon may further dent rural demand. Investment recovery is likely to take shape towards the fiscal year end. Targeted infrastructure spending by Government, lower input costs, improving ratio of new project announcement to stalled projects and growth in high frequency indicators such as passenger car sales and (MHCV) medium and heavy commercial vehicles sales give hope of an investment upturn.

RBI, govt in talks on medium-term framework for FPI limit in debt Reserve Bank of India

(RBI) Governor Raghuram Rajan said they were in talks with the government about a medium-term framework for foreign portfolio investor (FPI) limits in debt securities. In his monetary policy statement, Rajan said this will include a target for what fraction of the bond market will be constituted by FPIs in the medium term.

He added there would be an announcement of staggered change in limits every six months with these being released on a monthly or quarterly basis. These limits would be specified in rupees so that they do not vary with exchange rate movements.

"Overall goal of this medium-term framework will be to enlist FPIs in market development, within prudential limits that we set even as they're attracted as rates available in Indian bonds," said Rajan.

RBI granted "in-principle" approval to 11 applicants to set up payments banks

"After making suitable changes to current framework, a structure will be put in place for continuous authorization of universal banks in the private sector in the current financial year. RBI will create a framework for licensing small banks and other differentiated banks. Differentiated banks serving niche interests, local area banks, payment banks etc. are contemplated to meet credit and remittance needs of small businesses, unorganized sector, low income households, farmers and migrant work force". said finance minister Mr Arun Jaitley.

"Payments banks will reach out to people in rural areas. Payments bank will ensure more money comes into banking system. Various banks are looking at increasing their rural reach, including big banks like SBI, payments banks will help them realise this," Jaitley said.

CPI & Inflation

Jul CPI at 3.8% YoY marked a multiyear low. The inflation reading came in lower than 5.4% seen in Jun as well as market expectations at 4.4%. An overall moderation in food, fuel and core price momentum pulled down the headline rate. The core CPI moderated to 4.34% from 4.83% seen in Jun. Price momentum (0.57% MoM) is relatively muted compared to 1.15% seen in June. Much of the price pressures witnessed in June specifically on the food items have been reversed. Barring vegetables, items such as pulses, cereals and protein based items have pulled down the food index. Greater acreage seen in sowing of pulses this kharif season is likely to keep prices in check going ahead. Transport & communication index reflected the cut in petrol and diesel prices announced during the month. Services such as health, recreation and household services marked a muted increase.

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