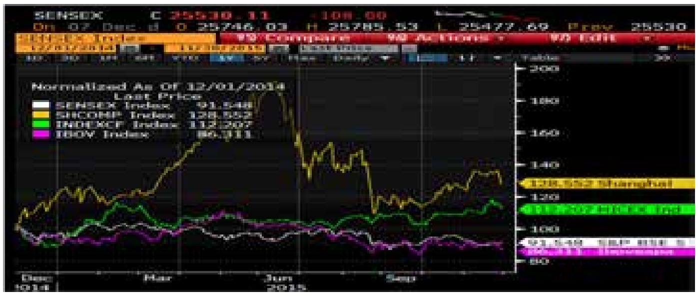
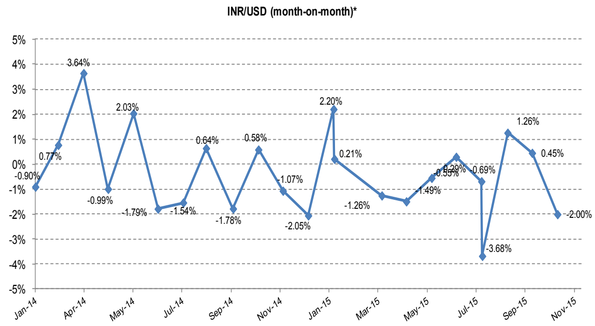
Monthly Political & Economic Updates
November 2015

1-year BRICs performance comparison*
India's SENSEX emerged 3rd amongst the BRICS (1-year)



In descending order (from 1st Dec 2014 to 30th Nov 2015): SHCOMP (Shanghai Composite Index), INDEXCF(MICEX), BSE Sensex(Bombay Stock Exchange Index) & IBOVESPA (Brasil Sao Paulo Stock Exchange Index).

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



** Source: Bloomberg*

*** S&P*

Govt set to ease External Commercial Borrowings regime
To top up the liberalisation of foreign direct investment (FDI) caps in a host of sectors, the central government plans to relax several limits on external commercial borrowings (ECB).The measures will include allowing leeway for borrowers to raise capital in a larger basket of currencies,against an over-reliance on dollar-denominated loans so far, and a larger window for exposure to the real estate sector.

PM Narendra Modi seeks G20 deadline to lower cost of remittances
Prime Minister Narendra Modi sought a definite timeline before 2030 for reduction in cost of transferring money, a move that will help India as it is the world's largest recipient of remittances during his intervention at G20 Working Lunch on Development and Climate Change. He also emphasized that remittances are a key source of income for households and support for the economy in developing countries the high costs of transferring remittances should be lowered.

Govt finances show improvement in tax effort, quality of expenditure
The government has not only reduced the fiscal deficit, as the numbers for the April-October period show, it has also vastly improved the quality of the deficit.This is shown by the 31% rise in capital expenditure compared with the same period last year, while there has been a mere 3% rise in revenue expenditure.That is reflected in the revenue deficit, which has come down by a high 22.8% during April-October compared with the same period last year, while the shrinking of the fiscal deficit has been a lower 13.6%.The expansion in capital expenditure has been possible because of the improvement in both tax and non-tax revenues.The improvement in tax revenues is also a step in the right direction, given that India's tax-to-GDP (gross domestic product) ratio is low.

India pledges to hike renewable energy output to 175GW by 2022
Antalya : Pledging to quadruple India's renewable power capacity to 175 gigawatt by 2022 and cut fossil fuel subsidies, Prime Minister Narendra Modi asked world's top economies to build support systems focused on nations that have the maximum growth potential.He also asked them to keep infrastructure financing in developing countries as a key priority.

Fitch: FDI, Power Measures Show India Retains Reform Momentum
A major liberalisation of foreign direct investment (FDI) rules in India that was announced on 11th November 2015 is a significant structural macroeconomic reform, says Fitch Ratings. This, together with an earlier announced plan to restore the financial viability of the country's power distribution companies (discos), indicates that India's reform momentum remains intact. Key changes to the FDI regime include raising the limit for FDI approvals from the Foreign Investment Promotion Board to USD 7.5bn from USD 4.5bn; increasing foreign-investor limits in several sectors including private banks, defence and non-news entertainment media; and allowing property developers to sell completed projects to foreign investors without lock-in periods. The government's package to revive discos, announced on 5th November, also underscores the reform momentum.

CPI & Inflation
On the domestic side, Oct CPI rose to 5% from 4.4% seen in Sep, broadly in line with expectations, in wake of the adverse base effect and a sequential rise in price momentum. The core inflation came in a tad higher at 4.4% vis-à-vis 4.3% seen in Sep. The price momentum was seen rising 0.6% MoM compared to 0.5% seen in Sep. The food index which constitutes bulk of the CPI index marked a sharper price momentum due to the significant surge in prices of pulses (10.1%MoM). Vegetable price index marked the first contraction in last six months. Pulses inflation (42%YoY) has remained stubborn. Government continues its efforts to tame price pressures in this segment by: 1. Announcing higher MSP price levels for the Rabi crop. 2. Substantial recovery of pulses by seizing hoarded stocks and 3.Greater imports of pulses. The overall services inflation witnessed a sequential rise in almost all categories, viz. health, personal care, recreation as well as transport & communication. Services inflation seems to be stabilizing and does not portend any concern. If food inflation continues to behave, inflation trajectory may undershoot RBI's target of 5.8% for Jan 2016.

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