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CONTENTS

1 News Feature Page 1-1
- Economy can do better than 7.6 pc this fiscal: Montek Singh Ahluwalia

2 Overseas Investment Page 1-5
- Forex reserves up $858 m to $318.35 b
- Fertiliser companies attract FII interest
- FDI inflows up 50% at $21 bn during Jan-Aug
- India to attract $80 billion FDI over 12-24 months, says a Morgan Stanley survey
- FIIs turn bullish, invest Rs 1,000 crore in October

3 Trade News Page 6-9
- India, Japan to hold strategic dialogue; nuclear energy in focus
- Big gains for Pakistan if it Grants MFN status to India: Study
- Indonesia seeks import of 5,00,000 tonnes rice from India
- India-EU free trade pact likely by February
- India-Japan strategic dialogue on Oct 28-29

4 Sectoral News Page 9-12
- Govt clears manufacturing policy
- Manufacturing policy makes eco, water audits mandatory
- 21 integrated textile parks approved
- 15 new mega food parks approved

5 News Round-up Page 12-14
- Reserve Bank of India monetary policy review for second quarter FY 2011-12

News Feature

Economy can do better than 7.6 pc this fiscal: Montek Singh Ahluwalia

The Planning Commission said that the economy could do better than 7.6 per cent growth for this fiscal as projected by the Reserve Bank of India in its half yearly monetary policy review.

"I think, it (economy) might do better 7.6 per cent (this fiscal. But you cannot rule out 7.6 per cent," Planning Commission Montek Singh Ahluwalia told.

The Reserve Bank lowered the economic growth forecast to 7.6 per cent for the current fiscal. The central bank had earlier projected the Indian economy to grow by 8 per cent in 2011-12, lower than 8.5 per cent recorded in 2010-11.

"Slower global growth will have an adverse impact on domestic growth, particularly on industrial production, given the rising inter-linkages of the Indian economy with the global economy," RBI said in its Monetary Policy Review.

About the raising short-term lending and borrowing rate by 25 basis points (0.25 per cent), Ahluwalia said, "It is more or less on expected lines. They have rasied the repo rate by 25 basis point but RBI also said no more rate hike. I think that market can sense that this one more effort (to tame inflation)".

On deregulating the saving bank account interest rate, he said, "I have always been in favour of deregulating the saving banking (interest) rates. Keeping it fixed have been an illogical thing, so it is a good news".

http://economictimes.indiatimes.com/news/economy/indicators/economy-can-do-better-than-7-6-pc-this-fiscal-montek-singh-ahluwalia/articleshow/10490439.cms

Overseas Investment

Forex reserves up $858 m to $318.35 b

India's foreign exchange reserves rose by $858 million to $318.358 billion in the week ended October 21, according to Reserve Bank of India's 'Weekly Statistical Supplement'.

In the previous week ended October 14, India's foreign exchange reserves rose by

$5.269 billion to $317.50 billion

The reserves increased on account of a $861 million rise in the foreign currency assets, taking it to $282.514 billion. Foreign currency assets expressed in US dollar terms include the effect of appreciation or depreciation of non-US currencies such as the euro, sterling and yen held in reserves.

In the week under consideration, the euro strengthened against the dollar from $1.3737 on Monday to $1.3896 on Friday.

India's reserve position at the International Monetary Fund in the week under review declined by $1 million to $2.635 billion.

SDRs also declined by $2 million to $4.542 billion, while gold reserves remain unchanged at $28.667 billion.

Rupee may strengthen

The rupee is expected to strengthen further if euro continues to remain firm against the dollar. There could also be dollar selling in anticipation of inflows from foreign funds, due to a likely rise in local share market, said dealers.

However, dollar demand from importers at higher levels may limit a sharp rise in the rupee around 48.45-48.50 per dollar.

http://www.thehindubusinessline.com/todays-paper/tp-money-banking/article2577866.ece

Fertiliser companies attract FII interest

Decontrol of phosphatic and complex fertiliser prices has triggered foreign investors' interest in fertiliser makers like Chambal Fertilisers, Coromandel International and Rallis among others.

Foreign institutional investors (FIIs) have increased their exposures to fertiliser stocks in the recent quarters. This is even as they have pruned their holdings in interest rate-sensitive sectors such as auto, capital goods and infrastructure among others.

RCF sees big jump

Rashtriya Chemicals and Fertilizers Ltd (RCF), in which the Government owns 92.5 per cent, has seen the biggest jump in FII holding. The FIIs have more than tripled their stake to 0.19 per cent of the total holding over past two quarters.

Analysts attribute the rising FII interest in fertiliser firms mainly to the decontrol of non-urea fertiliser prices last year. The Government, last fiscal, had brought all non-urea fertilisers under the Nutrient Based Subsidy (NBS) regime and freed them from

price controls. This has provided pricing power for fertiliser firms and helped them post better profit margins.

Free pricing

"The impact is visibly evident in the past four to five months when the prices of fertilisers such as DAP (diammonium phosphate) have shot up and the Government has not interfered," said Mr Tarun Surana, Research Analyst at Sunidhi Securities.

Prices of DAP have shot up from Rs 12,000 per tonne to Rs 18,200 per tonne in the past four to five months, Mr Surana said. The monsoon-dependent fertiliser sector is largely considered defensive in nature in line with FMCG and consumption segment. "Good monsoons this year has resulted in strong demand," Mr Surana said.

Urea decontrol

"FIIs start accumulating whenever they anticipate some big announcement. Since there is talk of urea decontrol, which may happen next year, they are accumulating fertiliser stocks and will continue to do till it (decontrol) happens," said Mr Kishore P. Ostwal, CMD, CNI Research.

Urea is the only fertiliser that remains under Government control. The Group of Ministers in August had referred the urea decontrol policy to the Cabinet Committee on Economic Affairs. Reports suggest that the Prime Minister's Office has directed the Fertiliser Ministry to accelerate the urea decontrol policy, amidst resistance from the Fertiliser Minister, Mr M.K. Azhagiri, to the proposed move.

http://www.thehindubusinessline.com/todays-paper/tp-corporate/article2583313.ece

FDI inflows up 50% at $21 bn during Jan-Aug

Despite the uncertain economic environment globally, Foreign Direct Investment (FDI) in India surged 50% to $20.76 billion from January-August, according to the industry ministry's latest data.

During January-August 201O, the country attracted FDI worth $13.85 billion.

Experts maintain that the government should further streamline policies and make the environment more conducive to FDI.

The sectors that attracted maximum FDI during the first eight months this year include services (financial and non- financial), telecom, housing and real estate, construction and power, the industry ministry data showed.

Mauritius, Singapore, the US, the UK, the

Netherlands, Japan, Germany and the UAE, among other countries, are the major investors in India.

FDI inflows into India totalled $19.42 billion in 2010-11 financial year, down from $25.83 billion in 2009-10.

Recently, the government further liberalised the FDI regime, allowing overseas investment in bee-keeping and share-pledging for raising external debt.

Besides, the conditions for FDI in construction of old-age homes and educational institutions have been eased. These will not be subject to the minimum and built-up area, capitalisation and lock-in period norms as applicable for the construction activities.

http://businessstandard.com/india/news/fdi-inflows50-at-21-bn-during-jan-aug/149840/on

India to attract $80 billion FDI over 12-24 months, says a Morgan Stanley survey

Over the next 12-24 months India could attract a massive $80 billion in foreign direct investment (FDI), according to a research report by Morgan Stanley. India received $48-billion FDI in the last two years. "The findings show that global companies see real opportunity in India and that their investment appetite is increasing, notwithstanding continuing negative perceptions around infrastructure bottlenecks," said Ridham Desai, head of India Research at Morgan Stanley.

The startling number came out of a survey of 176 of the firm's internationally-based research analyst teams that cover 1,766 global companies. These teams determined the likely India investment opportunity recognised by the companies they covered. The survey did not involve direct interaction with the companies.

"Conducting a survey among large companies worldwide was not feasible due to very high costs and time taken," the detailed note says explaining the survey.

The 20% of the companies covered in the survey have already invested nearly $80 billion into India, almost 53% of the total FDI into the country.

"As per our global analysts, 59 new companies are likely to invest in India while 67 of the currently invested global companies are unlikely to make further investments," the report says.

http://articles.economictimes.indiatimes.com/2011-10-25/news/30320378_1_foreign-direct-investment-fdi-survey

FIIs turn bullish, invest Rs 1,000 crore in October

After pulling out in the last two months, foreign funds have turned bullish and infused over Rs 1,000 crore in the Indian markets in October.

During October 3-28, overseas investors have purchased stocks and debt securities worth a gross amount of Rs 58,483.40 crore and sold securities valued Rs 57,470 crore. This translated into a net inflow of Rs 1,014.30 crore, according to the data available with the Securities and Exchange Board of India (Sebi).

"In October, the Indian market has seen an upward movement, so FIIs invested in the market. In the last two months, overseas investors were pouring money in gold," Geojit BNP Paribas Research Head Alex Mathew said.

He added, "Over the coming months, FIIs will continue to infuse capital in the BRIC countries."

Meanwhile, the 30-share Sensex rose by 1,351.04 points, or 8 per cent, in October. In the last trading session, the BSE finished at 17,804.80, up 515.97 points from its previous close --the biggest one-day gain since August 29, when it had soared by 567.50 points.

In August and September, foreign institutional investors (FIIs) witnessed an outflow. In August, foreign funds pulled out nearly Rs 8,000 crore, or USD 1.8 billion, from the Indian stock and debt markets -- the highest monthly withdrawal since October, 2008. Last month, they withdrew Rs 1,866 crore.

Market analysts believe heavy selling by FIIs was triggered by the ongoing debt crisis in the euro zone and a weakness in the US economy.

In October, FIIs were bullish on the debt market and poured in Rs 1,697.30 crore, while they pulled out Rs 683 crore from the equity market in the same period.

So far this year, FIIs have pumped in Rs 18,679 crore into stock and bond markets, compared to about Rs 1,79,674 crore in the whole of 2010.

The number of FIIs registered with Sebi stood at 1,749 as of October this year, while the number of sub-FIIs was 6,058 during the month.

http://economictimes.indiatimes.com/news/economy/finance/fiis-turn-bullish-invest-rs-1000-crore-in-october/articleshow/10541513.cms

Trade News

India, Japan to hold strategic dialogue; nuclear energy in focus

India and Japan will hold their fifth strategic dialogue during which the two sides will review and discuss ways to strengthen cooperation in key areas, including civil nuclear field, trade and security.

During the two-day dialogue, to be led by External Affairs Minister S M Krishna and his Japanese counterpart Koichiro Gemba, the two sides will also discuss agenda for visit of Prime Minister Yoshihiko Noda in December.

"They will review all aspects of the bilateral strategic and global partnership and discuss regional and international issues of mutual interest," the Ministry of External Affairs said.

India and Japan have held three rounds of talks on the civil nuclear cooperation deal, which seems to have suffered a setback due to Fukushima nuclear disaster after the earthquake in Japan.

Significantly, Japan has exempted India from the cuts it has implemented in its overseas aid programmes following the tsunami and the nuclear disaster at Fukushima.

http://economictimes.indiatimes.com/news/politics/nation/india-japan-to-hold-strategic-dialogue-nuclear-energy-in-focus/articleshow/10488112.cms

Big gains for Pakistan if it Grants MFN status to India: Study

Pakistan can save up to $2 billion a year if it grants India the Most Favoured Nation (MFN) trade status, a report co-authored by the top trade analyst of Pakistan government says.

Liberalising the trade regime with India will allow Pakistan to import cheaper goods, which in turn will boost customs revenue, the report titled 'Harnessing India Pakistan Trade Potential' says.

The report has been written by Mujeeb Ahmed Khan, head of the research and policy analysis wing of the Trade Development Authority of Pakistan, and Muhammad Iqbal Tabish, secretary-general of the Saarc Chamber of Commerce & Industry.

Although India granted the MFN status to Pakistan in 1996, Islamabad has been dragging its feet on returning the favour. The two south Asian neighbours have bilateral trade of over $2 billion a year, with the balance in India's favour.

"Pakistan can save foreign exchange of $1.5 billion to $2 billion if it diverts import of items such as chemicals, steel, machinery, industrial equipment and plastic--which have to be imported from far-flung markets--since these are available from India at competitive prices," the report says.

http://economictimes.indiatimes.com/news/economy/finance/big-gains-for-pakistan-if-it-grants-mfn-status-to-india-study/articleshow/10525846.cms

Indonesia seeks import of 5,00,000 tonnes rice from India

Indonesia has sought 5,00,000 tonnes of non-basmati rice from India at cheaper rates to meet its domestic demand and keep prices under check.

"Indonesia, that especially buys rice from Vietnam and Thailand, has requested 5,00,000 tonnes of non-basmati rice from India," said a senior Food Ministry official.

Indonesia has expressed interest in importing non-basmati rice from India through diplomatic channels and has also requested for a special dispensation for supply of the staple at lower rates, the official added.

An official delegation from Indonesia had met Food Minister K V Thomas last week and discussed the issue in detail, he said.

According to Food Ministry officials: "The government may consider offering rice from the government godowns at the economic cost, which could be around Rs 20.45 per kg."

Trade experts said meanwhile that the flood damage to rice crop in Thailand has prompted Indonesia to look at alternative origins. It wants to import rice to keep sufficient stockpiles to cover short-term scarcity and also to fight persistently high inflation.

In September, India had permitted shipments of up to 2 million tonnes of non-basmati rice through private trade, lifting the ban imposed in April, 2008.

However, it has been supplying foodgrains to many countries on government account during last three years.

http://economictimes.indiatimes.com/news/economy/foreign-trade/indonesia-seeks-import-of-500000-tonnes-rice-from-india/articleshow/10538922.cms

India-EU free trade pact likely by February

India and European Union are at an "intense" stage of negotiations for reaching the much-delayed free trade agreement, hoping that a deal can be struck before their annual summit in February.

"Intense efforts are underway. Both the sides are determined to conclude the negotiations, preferably before India-EU Summit in February here," Commerce Secretary Rahul Khullar told media.

Having held several rounds of talks, the two sides are likely to finalise their positions on opening of trade in services in November, sources said.

With India's over 57 per cent Gross Domestic Product (GDP) coming from services, this area is of particular interest to New Delhi while negotiating trade opening deal with any country or a bloc.

Besides, India-EU would hold bilateral talks in Geneva on the sidelines the WTO Ministerial meeting in December, they said.

India is in talks with the EU, its biggest trading partner, since June 2007 for liberalising trade in goods, services and investment through a Broad-based Trade and Investment Agreement (BTIA). Already 13 rounds of talks have taken place.

The difficult areas holding the BTIA are the EU's demand on India to slash duty in the automobile sector, high duties on liquor and wines.

New Delhi is pressing for binding commitment on the number of visas which should be allowed to Indian professionals who go on short-term assignments to any of the the 27 nations.

"The real challenge is how in the next two months, we can narrow our existing negotiations gap," the sources said.

The trade pact would involve slashing of duties on over 90 per cent of the trade and opening up of the mutual markets for services and investment.

Recently, European Commission director general of trade Jean-Luc Demarty met Khullar and discuss the progress in BTIA, besides other issues.

The two-way commerce stood at USD 75 billion in 2009-10. India has already implemented comprehensive FTAs with countries like Japan, Malaysia and South Korea.

http://economictimes.indiatimes.com/news/economy/foreign-trade/india-eu-free-trade-pact-likely-by-february/articleshow/10539080.cms

India-Japan strategic dialogue on Oct 28-29

India and Japan will hold their fifth strategic dialogue barely weeks before the East Asia Summit in mid-November.

The dialogue, to be held between external affairs minister SM Krishna and his Japanese counterpart Koichiro Gemba in Tokyo on October 28 and 29, will explore ways to deepen the two countries' cooperation across a range of issues, ranging from jointly combating piracy and terrorism to climate change and the evolving East Asia architecture. India is also expected to discuss the prospects of civil nuclear cooperation that took a hit after the Fukushima disaster earlier this year.

Krishna will also call on Japan's Prime MinisterYoshihiko Noda. The talks are expected to set the stage for Noda's visit to New Delhi in December for the annual summit with Prime Minister Manmohan Singh. Krishna's discussions on strategic issues, including maritime security, will also set the stage for a visit by defence minister AK Antony on November 2 and 3.

http://www.financialexpress.com/news/indiajapan-strategic-dialogue-on-oct-2829huma-siddiqui/865249/0

Sectoral News

Govt clears manufacturing policy

The much-awaited National Manufacturing Policy was approved by the Union Cabinet. It comes at a time when the country is facing a slowdown in manufacturing and industrial growth.

The policy aims to create 100 million jobs within a decade and increase the share of manufacturing in the country's GDP to 25 per cent by 2022 from the current 15-16 per cent (a level that has been stagnant since 1980).

Among the key instruments for realising these goals is the setting up of National Investment and Manufacturing Zones (NIMZ). The minimum land area of each NIMZ – or greenfield integrated industrial townships with the modern infrastructure – is to be 5,000 hectares.

Announcing the policy, the Commerce, Industry and Textiles Minister, Mr Anand Sharma, told reporters that, "No cultivable, agricultural and forest land will be allowed to be acquired for NIMZs."

The first phase of the NIMZ will be established along the Delhi Mumbai Industrial Corridor which will see early results in the next few years, he added.

The policy also has a host of fiscal incentives mainly for the micro, small and medium

enterprises.

In this regard, an official statement said, “Individuals will be eligible for relief on long-term capital gains tax if the sale proceeds of a residential property are reinvested in equity of a new start-up company,” adding that tax pass through status for venture capital fund will be available if they focus on manufacturing.

The other significant features are the single window clearance mechanism to cut red-tape and the high-priority for skill development. “Private sector will be given standard deduction of 150 per cent of expenditure for skill development institutes,” the statement said.

The policy was finalised after over 20 months of intense stakeholder consultations. These discussions had seen difference of opinion, notably from the Ministries of Environment and Labour.

http://www.thehindubusinessline.com/todays-paper/tp-economy/article2571760.ece

Manufacturing policy makes eco, water audits mandatory

The recently approved National Manufacturing Policy has stringent norms to ensure ‘green manufacturing'.

These include mandatory environmental and water audit for all industrial and institutional units in the National Investment and Manufacturing Zones (NIMZs).

According to the policy, establishment of NIMZs is a key instrument to catalyse the growth of manufacturing.

Wastewater treatment

The policy has also made activities such as wastewater treatment and rain water harvesting compulsory for all industrial and institutional units in the NIMZs.

However, there are incentives to help companies follow these mandatory activities as well as for promoting renewable energy and green buildings.

Environmental and water audits have to be carried out by the industrial/institutional units through external auditors/firms drawn from an approved panel of environmental auditors.

Green Manufacturing Committee

The policy states that the panel as approved by the Green Manufacturing Committee (GMAC) will be maintained by a special purpose vehicle (SPV).

The GMAC comprises representatives from the Union Ministries concerned and relevant sectoral experts from outside the

Government. The SPV will be headed by a senior Government official.

However, there is a 25 per cent grant to small and medium enterprises for expenditure incurred on environmental and water audits subject to a maximum of Rs 1 lakh and subject to improvements/correctives being carried out.

The incentives include an exemption from water cess.

Sops for renewable energy

Besides, units practising zero water discharge will be eligible for 10 per cent one-time capital subsidy on the relevant equipment/systems subject to actual usage for one year and third party certification (panel approved by GMAC).

There is also rebate on water cess to industries setting up waste-water recycling facilities.

The policy also assures appropriate incentives under the existing Central and State Government schemes for specific renewable energy projects.

It has also promised an incentive of Rs 2 lakh for all green buildings (more than 2,000 sq.m. built up area) in the NIMZ including industrial/institutional/ commercial/ residential which obtain green rating under the Indian Green Building Council (IGBC/LEED) or GRIHA systems.

http://www.thehindubusinessline.com/todays-paper/tp-economy/article2574759.ece

21 integrated textile parks approved

The government has sanctioned 21 integrated textile industrial parks in nine states with a project cost of R 2,100 crore to be implemented over a period of 36 months.

“Sanction of new textiles parks would catalyze significant additional investments with the industry utilising the benefits under the Scheme for Integrated Textiles Parks for development of common infrastructure and the Technology Upgradation Funds Scheme (TUFS)", commerce, industry and textiles minister Anand Sharma minister said.

The minister said that the government has enhanced the allocation under TUFS from R8,000 crore to R15,404 crore under the Eleventh Plan and an allocation of R400 crore has been sanctioned under SITP for new textiles parks in April 2011.

He said that the new textiles parks would leverage an investment of over R9,000 crore and generate 4 lakh jobs. The government would finance common infrastructure with a subsidy upto R40 crore per textiles park.

The government has sanctioned six new

textiles parks in Maharashtra, four in Rajasthan, two each in Tamil Nadu and Andhra Pradesh, one each in Uttar Pradesh, Gujarat, Tripura, Himachal Pradesh, Karnataka, Jammu and Kashmir and West Bengal. The product in these parks would include apparels and garments parks, hosiery parks, silk parks, processing parks, technical textiles including medical textiles, carpet parks, powerloom parks. "The focus will be on value addition through aggregation to best utilise domestic surplus raw material in cotton and cotton yarn for enhanced labour employment and export earnings" said Sharma.

"The ministry would be seeking a higher allocation under the Twelfth Plan given the considerable demand for textiles parks and success of the scheme in the earlier plan," said Sharma.

''Of the 40 textiles parks sanctioned under the Eleventh Plan, 24 textiles parks have started operations and have attracted investments of R18,880 crore with a government subsidy of R1,420 crore'', the ministry press note said.

http://www.financialexpress.com/news/21-integrated-textile-parks-approved/866038/0

15 new mega food parks approved

The Government proposes to set up 15 new mega food park projects under the infrastructure development scheme with a total grant of Rs 787.50 crore. This is in addition to the 15 on-going projects.

The Cabinet Committee on Economic Affairs approved the 15 mega food projects, which will create infrastructure that would enhance the efficiency of supply chain from farm gate to retail outlets.

These projects, which will create infrastructure for food processing, are expected to bring about substantial reduction in wastage, value addition, employment generation and increased income to farmers, a statement said.

The Government expects to invite Expressions of Interest (EOI) from prospective entrepreneurs for setting up such parks. Each park is expected to benefit some 6,000 farmers directly and will indirectly benefit 25,000 to 30,000 farmers.

Estimated investment in each project will be about Rs 100 crore in common facilities and will leverage an additional investment of Rs 250 crore, the Government said in a statement.

Each mega food park will generate about 40,000 direct and indirect jobs, the statement added.

http://www.thehindubusinessline.com/todays-paper/tp-economy/article2571765.ece

News Round-Up

Reserve Bank of India monetary policy review for second quarter FY 2011-12

Introduction

From a macroeconomic perspective, the last quarter witnessed significant developments, both globally and domestically. Growth momentum in the US and the euro area economies has weakened. In the euro area, macroeconomic prospects are intimately tied in to its ability to credibly resolve its sovereign debt and financial sector problems.

In turn, trade and financial linkages increase the risks of euro area instability transmitting through to emerging market economies (EMEs), which have already experienced large volatility in their financial markets, particularly their currency markets. Significantly, while the prices of many commodities declined over the quarter, crude oil prices remained relatively firm. The impact of this on commodity importing EMEs has been exacerbated by currency depreciation.

Amidst this turbulence and heightened uncertainty, the Indian economy is clearly seeing slowing growth. This moderation is, in part, due to the anti-inflationary stance of monetary policy, a necessary pre-condition to bring inflation down. But there are also other factors responsible for the moderation in growth, particularly for the significant slowdown in investment activity, such as policy and regulatory matters. These issues clearly have adverse implications for sustaining rapid growth.

Of larger concern is the fact that even with the visible moderation in growth, inflation has persisted. Reassuringly, momentum indicators are turning down, consistent with the Reserve Bank's projections that inflation rate will decline significantly in December and continue on that trajectory into 2012-13.

The policy stance and guidance in this Review are shaped by the need to balance concerns about persistent inflation and moderating growth. Recent policy actions have been firmly based on the proposition that sustained growth over a long period of time is compatible only with low and stable inflation.

Persistently high inflation strongly influences expectations adversely and, through them, consumption and investment decisions. Changing the policy stance when inflation is still far above the tolerance level entails risks to the credibility of the Reserve Bank's commitment to low and stable inflation. However, growth risks are undoubtedly

significant in the current scenario, and these need to be given due consideration.

This policy review is set in the context of the above global and domestic concerns. It should be read and understood together with the detailed review in Macroeconomic and Monetary Developments releasedyesterday by the Reserve Bank.

This Statement is organised in two parts. Part A covers Monetary Policy and is divided into four sections: Section I provides an overview of global and domestic macroeconomic developments; Section II sets out the outlook and projections for growth, inflation and monetary aggregates; Section III explains the stance of monetary policy; and Section IV specifies the monetary measures.

Part B covers Developmental and Regulatory Policies and is organised in six sections: Interest Rate Policy (Section I), Financial Markets (Section II), Financial Stability (Section III), Credit Delivery and Financial Inclusion (Section IV), Regulatory and Supervisory Measures for Commercial Banks (Section V) and Institutional Developments (Section VI).

http://economictimes.indiatimes.com/news/economy/policy/reserve-bank-of-india-monetary-policy-review-for-second-quarter-fy-2011-12/articleshow/10484968.cms

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