

Fortnightly round up of key banking and economic indicators

November 8, 2011

Aalok Shah

aalok.shah@emkayglobal.com

+91 22 6612 1336

Kashyap Jhaveri

kashyap.jhaveri@emkayglobal.com

+91 22 6612 1249

- **After a gradual up-tick in Sept-Oct period, growth in non-food credit has now eased to sub-19% levels. Non-food credit for fortnight ended 21st Oct, 2011 came in at 18.9% yoy (5.3% YTD)**
- **As higher base-effect of previous year and elevated interest rate hurt growth, we expect credit growth to taper-off to sub-20% level by end-FY12**
- **Growth in deposits too has eased and stands at 15.2% yoy (up 8.0% YTD). Demand deposits stood at 10.1% of total deposits (-14% yoy). CD has remained stable; inc. CDR has inched upwards to 51%**
- **Money supply growth at 14.4% yoy is lowest in past six-years. On the other hand, reserve money growth came in at healthy 18.4% yoy. Money multiplier continues to hover at 5x levels**
- **Net liquidity deficit for the fortnight came in at ~Rs800bn. Given, higher government borrowing and credit up-tick, we expect liquidity to remain in negative terrain for H2FY12**
- **Higher borrowing programme, elevated inflation and volatile IIP have pushed yields upwards. Call money rates have moved in tandem with repo rate.**
- **With H1FY12 fiscal deficit at high 70% of FY12BE, we expect Govt to raise the borrowing programme by further Rs300-400bn.**

Econometer

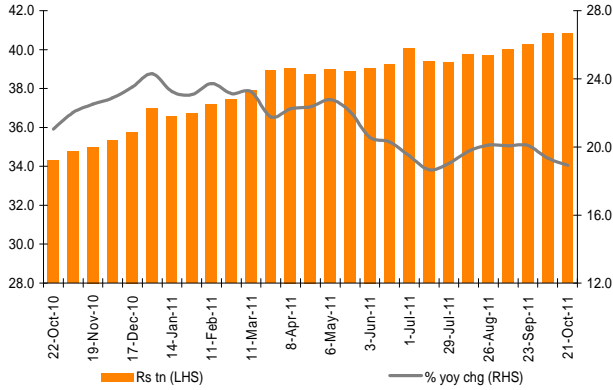
	Jun-11	Mar-11	Dec-10	Sep-10	Jun-10	Mar-10	Dec-09	Sep-09
GDP# (% yoy chg)	7.70	7.80	8.19	8.87	8.85	8.57	7.33	8.64
IIP (% yoy chg)	8.81	8.84	1.60	4.90	7.17	15.55	17.95	8.22
Trade Balance (US\$ bn)	(31.61)	(28.28)	(21.30)	(35.08)	(32.27)	(27.15)	(28.63)	(22.14)
Current account balance (US\$ bn)	(14.11)	(5.40)	(10.00)	(16.80)	(12.10)	(13.00)	(12.03)	(9.17)
Fiscal balance (US\$ bn)	(36.40)	(44.36)	(8.41)	(20.23)	(8.63)	(22.49)	(24.06)	(15.18)
Inflation (%)	9.47	9.38	8.43	8.93	10.28	9.45	4.50	-0.62
10-year bond yield (%)	8.33	7.99	7.92	7.85	7.55	7.83	7.14	7.14
INR/\$ (avg)	44.72	45.26	45.16	46.01	46.57	45.50	46.63	48.41
INR/\$ (quarter end)	44.69	44.59	44.86	44.93	45.63	45.14	46.20	47.98

Base: 2004-2005

	India	USA	UK	Euro zone	Japan
8 th Nov			Industrial Production (MoM)		Official Reserve Assets
9 th Nov		MBA Mortgage Applications	Visible Trade Balance GBP/Mn		Current Account Balance YOY%
10 th Nov		Import Price Index (MoM, YoY), Initial Jobless Claims	BOE ANNOUNCES RATES	ECB Publishes Nov. Monthly Report	Machine Orders (MoM)
11 th Nov	Industrial Production (YoY), WPI Inflation (YoY)	Monthly Budget Statement	PPI Input NSA (MoM)		Domestic CGPI (MoM)
14 th Nov	Monthly Wholesale Prices YoY%	Mortgage Delinquencies		Euro-Zone Ind. Prod. wda (YoY)	GDP Deflator YoY, Nominal GDP (QoQ)
15 th Nov		PPI Ex Food & Energy (YoY)	CPI (MoM)	Euro-Zone GDP s.a. (QoQ)	Tokyo Condominium Sales (YoY)
16 th Nov		Consumer Price Index (MoM)	Jobless Claims Change	Euro-Zone CPI - Core (YoY)	Housing Loans YoY
17 th Nov		Housing Starts MOM%	Retail Sales Ex Auto Fuel(MoM)	Construction Output SA MoM	BOJ Target Rate

Source: Bloomberg

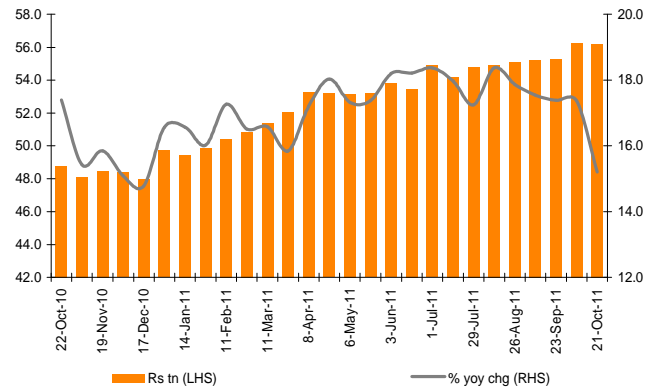
Non food credit



■ Growth in non-food credit for the fortnight ended 21st Oct, 2011 eased to 18.9% yoy (19.3% yoy in previous fortnight). On YTD basis, growth is up 5.3%.

Source: RBI, Emkay Research

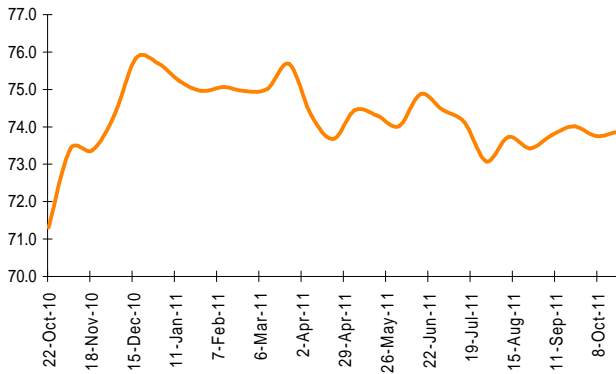
Deposits



■ ...growth on deposit front too has eased to 15.2% yoy (17.4% yoy in the previous fortnight). On a YTD basis, growth, however remains strong at 8.0%

Source: RBI, Emkay Research

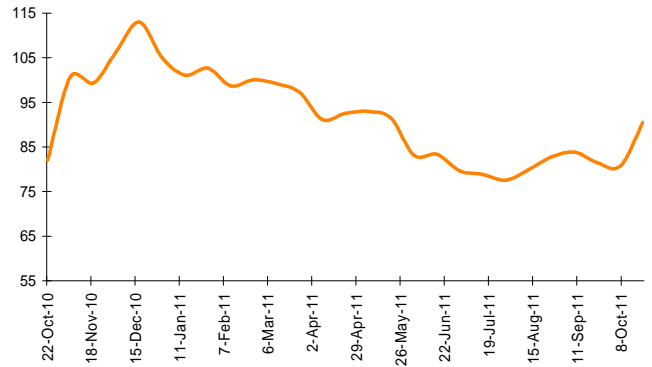
CD Ratio (%)



■ ... resultant, CD ratio remained stable at 73.9%. Incremental CD has been on a up-tick and has improved to 51% levels.

Source: RBI, Emkay Research

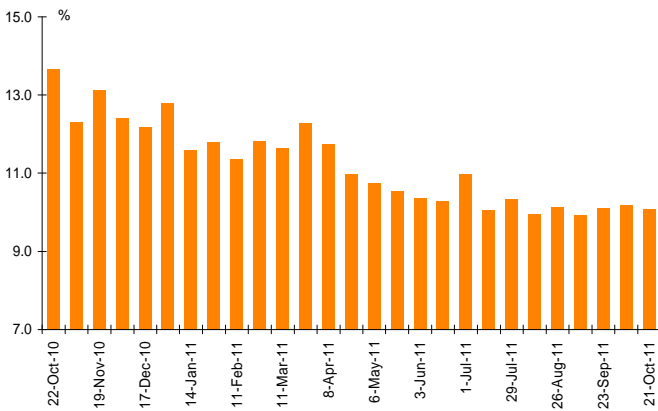
TTM CD Ratio (%)



■ TTM CD at 91% has inched back to May' 2011 levels.

Source: RBI, Emkay Research

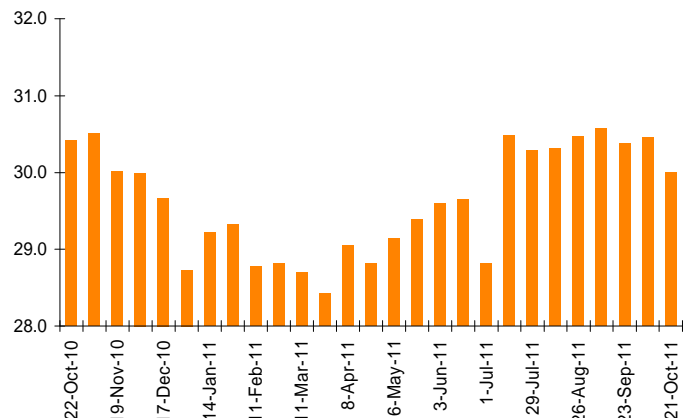
CASA as % of total



■ After a brief period of up-tick, demand deposits have now eased and currently comprise mere 10.1% of total deposits. On a yoy basis, demand deposits are down 14% yoy, lowest since Jan' 2009.

Source: RBI, Emkay Research

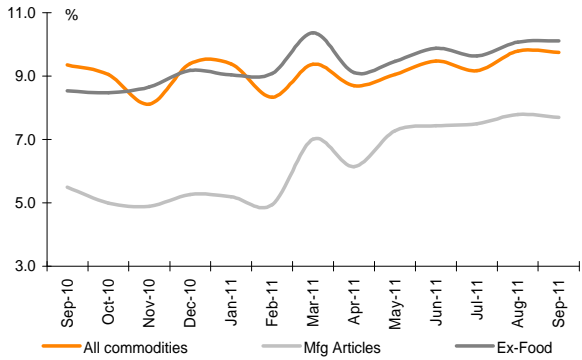
SLR as % of NDTL



■ SLR stands at healthy 30% levels for past several periods.

Source: RBI, Emkay Research

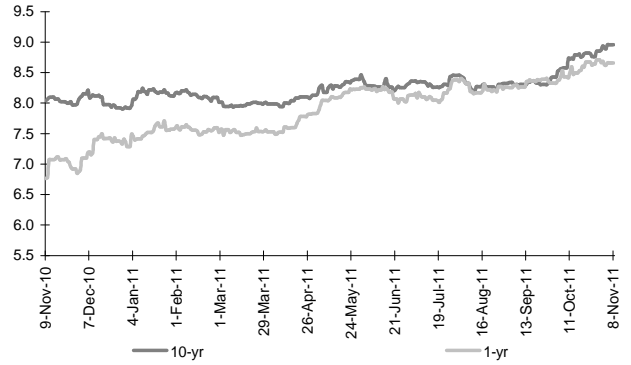
Inflation (%)



- Inflation at 9.7% for the month of September, 2011, continues to remain the core of concern for RBI.
- For the month, inflation eased across – Primary and food index. It, however continues to run at high 14.1% yoy for crude oil index

Source: RBI, Emkay Research

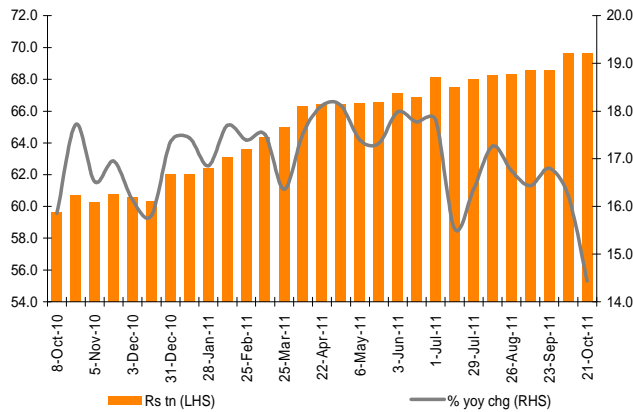
Government bond yields (%)



- Higher Government borrowing programme, elevated levels of inflation for a prolonged period of time and volatile IIP has pushed yields upwards. Further with fiscal deficit at 70% of FY12BE in H1FY12, we expect Govt to raise the borrowing programme by further Rs300-400bn.
- 10-year G-sec has inched to 8.9%+ levels. 1-yr Gsec too has moved to 8.6%+ levels.

Source: RBI, Emkay Research

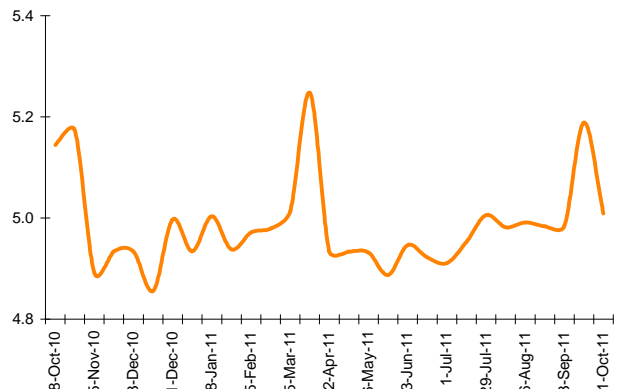
M3



- Money supply growth at 14.4% yoy is lowest in past six-years. On the other hand, reserve money growth came in at healthy 18.4% yoy.

Source: RBI, Emkay Research

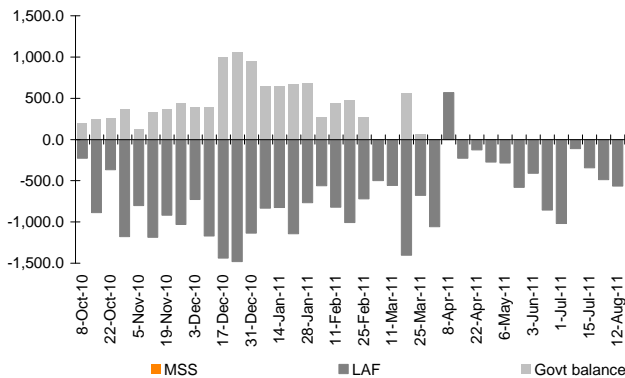
Money multiplier (x)



- ... money multiplier continues to hover at 5x levels

Source: RBI, Emkay Research

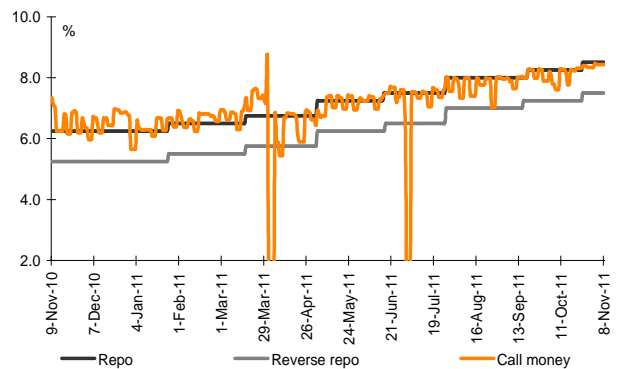
Excess liquidity (Rs bn)



- Liquidity situation continues to remain in deficit mode with net outflow of Rs800bn for the fortnight ended 21st Oct, 2011

Source: RBI, Emkay Research

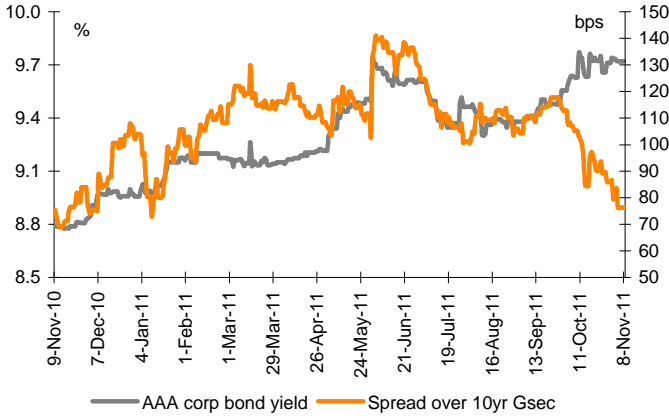
Call money borrowing rate (%)



- Call money rates have moved in tandem with repo rate and stood at 8.43% as at Oct 21st, 2011.

Source: RBI, Emkay Research

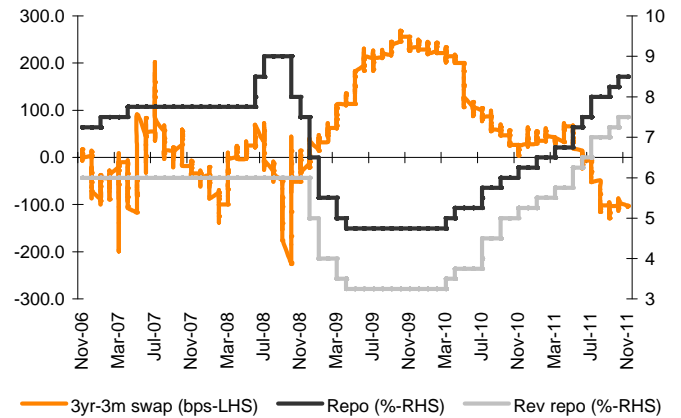
10-year AAA corporate bond yield



- Spreads of 10-yr Gsec over 10-yr AAA corporate bonds has averaged 100bps+ since March 11.

Source: Bloomberg, Emkay Research

3 year – 3 month swap spread



- The spread between the long and short end OIS was -104bps as on 8th Nov 2011.

Source: Bloomberg, Emkay Research

Emkay Global Financial Services Ltd.

Corporate Add: B – Ruby Mills Tower, 7th Floor, South East Wing, Senapati Bapat Marg, Dadar (W), Mumbai - 400028 India.

Tel.: +912266121212 Web: www.emkayglobal.com

DISCLAIMER: This document is not for public distribution and has been furnished to you solely for your information and may not be reproduced or redistributed to any other person. The manner of circulation and distribution of this document may be restricted by law or regulation in certain countries, including the United States. Persons into whose possession this document may come are required to inform themselves of, and to observe, such restrictions. This material is for the personal information of the authorized recipient, and we are not soliciting any action based upon it. This report is not to be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. No person associated with Emkay Global Financial Services Ltd. is obligated to call or initiate contact with you for the purposes of elaborating or following up on the information contained in this document. The material is based upon information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied upon. Neither Emkay Global Financial Services Ltd., nor any person connected with it, accepts any liability arising from the use of this document. The recipient of this material should rely on their own investigations and take their own professional advice. Opinions expressed are our current opinions as of the date appearing on this material only. While we endeavor to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so. Prospective investors and others are cautioned that any forward-looking statements are not predictions and may be subject to change without notice. We and our affiliates, officers, directors, and employees world wide, including persons involved in the preparation or issuance of this material may; (a) from time to time, have long or short positions in, and buy or sell the securities thereof, of company (ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company (ies) discussed herein or may perform or seek to perform investment banking services for such company(ies) or act as advisor or lender / borrower to such company(ies) or have other potential conflict of interest with respect to any recommendation and related information and opinions. The same persons may have acted upon the information contained here. No part of this material may be duplicated in any form and/or redistributed without Emkay Global Financial Services Ltd.'s prior written consent. No part of this document may be distributed in Canada or used by private customers in the United Kingdom. In so far as this report includes current or historical information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.