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Source: chart & following table: Bloomberg

		Pts Chg	% Chg	2010/11	5 Yr	5 Yr	5 Yr
CLOSE: 15 Nov 2011	Index	Day	YTD	PER	PER Hi	PER Lo	Avg
SENSEX 30	16,883	-236	-16.5%	14.7x	25.0x	8.1x	18.7x
NIFTY 50	5,068	-80	-16.1%	14.3x	N/A	N/A	17.2x

BOMBAY

INR ₹ /US\$ Rs50.40

INR ₹ /GB£ Rs80.15

INR ₹ /EUR Rs68.76

The SENSEX closed 1.4% lower to a 3 week low. Sluggish corporate earnings and the unresolved EU debt crisis depressed investors. Financials, autos and infrastructure took the brunt of selling. The undertone is weak.

LONDON / NEW YORK

Reflecting softer demand in London and New York most GDRs/ADRs show bigger losses vs the local share's performance in Bombay.

ECONOMIC NEWS

- ⇒ India's wholesale prices remained above 9% in October for the 11th month, and rose above expectations to 9.73% vs 9.72% in September. Worryingly, the rate is not falling as hoped for by authorities. Local energy and food prices rose, despite a sharp fall in global commodity prices. Price pressures are threatening to push India's inflation, the highest in Asia and among BRIC economies, to double digits last seen 16 months ago. Food price inflation in October accelerated to 11.06% from 9.23% in September. Rising rural wages and supply and transport bottlenecks have contributed to food price rises. Prices of vegetables and pulses and those of high protein items like milk, eggs, fish and meat have risen, reflecting changes in dietary patterns due to higher disposable incomes. Core inflation, which excludes food and fuel prices, is still high and indicates persistent price pressures in the economy.
- ⇒ The RBI has indicated last month that interest rates may be put on hold at the December meeting, after 13 rises in 2010 and 2011. The Indian Central Bank has been the most aggressive in Asia this year. Elsewhere in Asia and Latin America some Central Banks are adopting a more accommodative stance on interest rate hikes in the face of increasing fears of a global recession. This is despite inflation not falling as hoped. Indonesia and Australia have cut interest rates recently, while other banks have toned down their rhetoric on inflation and interest rate rises.
- ⇒ The European Union drastically cut its growth forecast by over 70% for the euro zone in 2012 to 0.5% from 1.8%, and European Commissioner Olli Rehn warned of the risk of a new recession. Asian economies are also showing clear signs of slowing down. This is unfortunately at a time when the Euro debt crisis and struggling US economy are threatening to lead to another global recession. For example, China's GDP cooled for the third consecutive quarter this year to a growth of 9.1% YoY. As an indicator of slowing global demand, growth in Chinese exports in September to the Eurozone - its biggest market - more than halved compared to August. India, the other giant in Asia is also facing an economic slowdown with GDP growth

expected to slow to around 7.5% this fiscal year vs 8.5% last year. Hong Kong saw economic growth of 7% last year and is expected to grow at 5% this year. However, Hong Kong Chief Executive Donald Tsang said that economic growth could shrink to as little as 2% in 2012. For Malaysia economists have cut their GDP growth for this year to 5.5%, after 7.2% recorded in 2010. Despite the cooling down, Asian economies are in better shape than 13 years ago at the time of the Asian economic crisis in 1998. Painful structural adjustments and robust economic growth since have helped.

- ⇒ Coca Cola, the world's largest soft drink maker is to invest \$ 2bn in India over 5 years to 2017 to expand its ready-to-drink market. The amount is the same as what it spent in the past 18 years in the country. A very positive signal for investment into India, despite the economic slowdown underway due to 13 consecutive interest rates hikes.
- ⇒ With latest data pointing to continuing economic deceleration, the case for the RBI to put interest rates on hold increases. Car sales fell 23.8% in October, the largest percentage drop since December 2000, on higher interest rates and vehicle costs. The market is driven by a growing aspirational middle class which funds auto purchases through bank loans. The labour unrest at car maker Maruti, which accounts for about 50% of auto market share, also contributed to the sharp decline in October. Sales by Maruti fell by half. October is the fourth month of decline in Indian auto sales after falls of 1.8% in September, 10.1% in August and 15.8% in July. The first decline in 3 years was recorded in 2011. September's industrial output grew at its slowest pace in 2 years. Production at factories, mines and utilities grew just 1.9% YoY, sharply down from 3.6% a month earlier. Separately, data on exports for October showed growth at its slowest in 2 years, as demand fell in Europe, India's largest trading partner.
- ⇒ Trade Minister Mr Sharma said India and the EU expect to finalise a trade and investment agreement by early 2012. Positive news to increase market access opportunities in goods and services for both India and EU.

**GDP: TOP 20 INDIAN STATES: FY to 3/2010, GROWTH RATE %, EQUIVALENT COUNTRY AND GDP**

source: Central Banks, IMF

Gross Domestic Product (GDP) in Nominal terms

Rank	Indian State/ Union Territory	GDP \$ Bn FY 2010	GDP Growth rate YoY %	Equivalent Country	2010 GDP \$ Bn
	INDIA			WORLD	
1.	Maharashtra	190	17	Czech Republic	192
2.	Uttar Pradesh (UP)	110	18	Bangladesh	105
3.	Andhra Pradesh (A.P.)	100	15	Bangladesh	105
4.	Tamil Nadu	98	15	Vietnam	103
5.	Gujarat	91	17	Morocco	91
6.	West Bengal	85	18	Slovakia	87
7.	Karnataka	71	10	Libya	71
8.	Rajasthan	66	14	Azerbaijan	54
9.	Kerala	49	15	Sri Lanka	49
10.	NCT of Delhi	46	19	Slovenia	47
11.	Haryana	46	18	Bulgaria	47
12.	Madhya Pradesh (M.P.)	46	17	Burma	45
13.	Punjab	42	14	Tunisia	44
14.	Bihar	36	16	Lithuania	36
15.	Orissa	34	12	Costa Rica	36
16.	Chattisgarh	23	18	Cyprus	23
17.	Jharkhand	22	12	Bahrain	22
18.	Assam	20	14	Trinidad & Tobago	20
19.	Uttarkhand	13	17	Jamaica	13
20.	Himachal Pradesh	9	11	Mauritius	9

- Our last report compared the population of top 20 Indian states to equivalent countries in the world. This issue tables the top 20 states by GDP with their equivalent in countries of the world;
- A number of Indian states are more populous than many developed countries. However, their GDP lags seriously behind, and are more comparable to that of developing/frontier economies;
- Maharashtra: India's second most urbanised state, with highest GDP. Contributes 15% of India's industrial output and 40% of the country's national revenue. Bombay, the capital of the state, is India's main financial centre;
- Uttar Pradesh (UP): The most populous state. Tourism major contributor;
- Andhra Pradesh: 4th largest state. Ranks 2nd in India for mineral wealth. Home to many IT and biotech firms;
- Tamil Nadu: One of the most literate states and highly urbanised. One of leading industrial states in India. Major sectors: autos, garments and heavy industries;
- Gujarat: Surat is India's diamond centre. Although India barely produces any diamonds, the country dominates the world's diamond polishing industry. Rapidly industrialising state. Has world's largest oil refinery owned by Reliance Industries;
- West Bengal: Services sector contributes over 50% of state's GDP. Agriculture is main source of income. Lacks strong industrial base due to labour unrest and militancy. Until May this year had the world's longest-serving (34 years) democratically-elected communist government;
- Karnataka: Bangalore, India's Silicon Valley, is a major contributor to IT software exports and call centres;
- Kerala: One of the highest ranked states on Human Development index. Produces over 90% of India's natural rubber;
- Delhi: Capital of India and one of 7 Union Territories. The city's GDP is almost that of Sri Lanka;
- Punjab: Produces 20% of India's wheat and 12% of rice. Among very few states to have 100% rural roads connectivity;
- Orissa: Rich in mineral reserves - has 33% of bauxite, 25% of iron ore and 20% of coal reserves in country. In top 3 of destinations for investments - which are mainly in power generation, mining and iron & steel sectors;
- Himachal Pradesh: First state to achieve goal of having a bank account for every family. High hydroelectric resources.

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