

# Economy Update



» WEEKLY NEWSLETTER

» 27Aug - 2 Sept 2012

## Dear Reader,

The weak growth numbers released for the first-quarter 2012-13 reinforce the underlying downward momentum in the economy. We are particularly concerned by the persistent weakness in investment expenditure and in the manufacturing sector. Unless the government undertakes some strong policy reforms, these two sectors will continue to be a drag on overall economic growth. The data also points to a sharp slowdown in private consumption spending, which is not a good sign at all as it clearly points to the downbeat sentiments amongst the consumers as well. We once again appeal for a coordinated monetary and fiscal intervention to address this deteriorating situation.

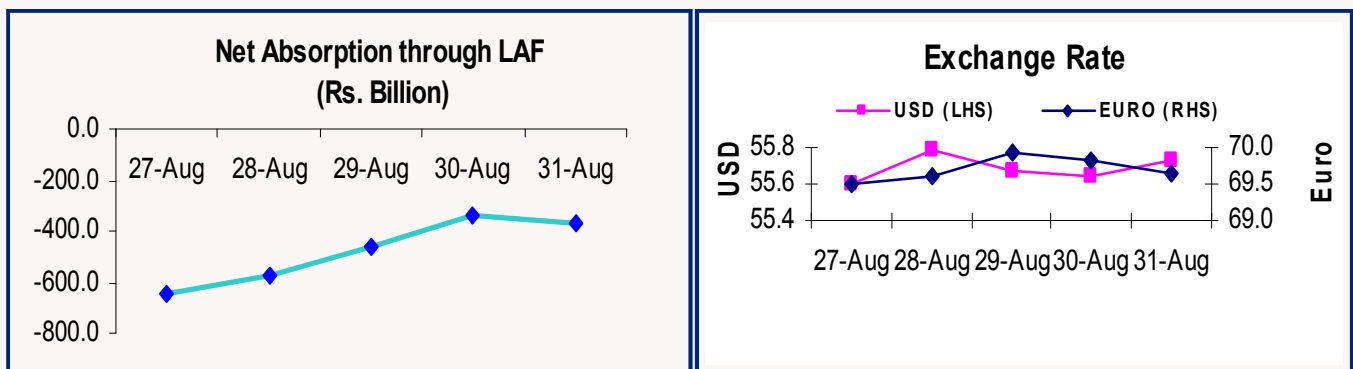
Chandrajit Banerjee  
(Director General, CII)

## INDICATORS

- » **Real GDP Growth at factor cost** inched up marginally to 5.5% in the first quarter of 2012-13, as compared to 5.3% posted in the previous quarter but remained much lower than 8.0% growth achieved during the same period last year. Agricultural output growth accelerated to 2.9% in Q1 of FY2013 from 1.7% in the previous quarter. Industrial sector also expanded by 3.6% in the 1Q of FY2013 over 1.9% in the previous quarter. The jump was mainly driven by a good performance by the construction and electricity, gas & water supply sectors. Service Sector growth dropped to 6.9%, the lowest since March 2009. This deceleration has been an outcome of a slide in the growth of trade, hotels, transport and communication sector.
- » **Seasonal Rainfall** for the country as a whole was 12% below Long Period Average (LPA) up to 29 August 2012, which was 2% lower than the last week owing to better rainfall in north-west India and south peninsula. In area-wise distribution, 68% area of the country received either an excess or normal rainfall.
- » **Foreign Exchange Reserves** as on 24 August, 2012 stood at US\$ 290.2 billion, up by US\$ 1.3 billion from the previous week.
- » At the **Treasury Bills Auctions** held during the week, the YTM for 91-day T-Bills stood at 8.2%.
- » The **Call Money Rates** as on 31 August July 2012 traded in the range of 7.2-8.0%.

## POLICY DEVELOPMENT

- » Government in its initiative to ensure urban financial inclusion has urged banks to ensure one account per urban poor family, which will include migrants from rural areas, urban poor and slum dwellers. This will help in direct transfer of all the benefits including MNREGA wages and other cash subsidies to the beneficiaries' account.
- » A Planning Commission committee has suggested for setting up of structures like the Software Technology Parks of India (STPI) to enable single-window clearances, tax breaks and easy exits for start-ups. This is likely to improve investor's sentiments.
- » DTC is most likely to miss its deadline of April 2013, as new Finance Minister wants a complete overhauling of the DTC Bill and settling of controversies around the implementation of GAAR.



## BANKING INDICATORS

Indicators	Rs. Billion		
	Outstanding as on 10 August, 2012	% Variation over Fortnight	Year
Total Bank Credit	47,234.6	0.4	16.6
Food Credit	997.8	2.0	37.7
Non Food Credit	46,236.8	0.4	16.2
Aggregate Deposit	62823.5	0.6	14.3
Broad Money (M3)	77,845.9	0.7	13.9
Credit Deposit Ratio	75.2		

Source: RBI

## EQUITY MARKETS

» **Global share** prices crashed last week as global economy continued to remain in bad shape due to the ongoing turmoil of Euro Zone economy. Recent data shows that in EU-17 unemployment rate has touched a record high of 11.3% in July 2012.

» **Indian stocks** fell last week. Majority of the BSE indices dropped. Highest dip of 7% has been registered in the BSE Mining, followed by BSE Capital Goods (4.8%) and BSE Auto (3.7%). BSE FMCG and Healthcare indices, however remained in the positive territory with a marginal increase of 1% each.

» **Total turnover** during the week on BSE stood at Rs. 8,521 crore and on NSE at Rs. 41,161 crore.

Global Stock Indices	Closing Value as on 31 August, 2012	Weekly Change (%)
NYSE: DJIA	13,000.7	-0.4
FTSE 100	5,711.5	-1.1
Nikkei 225	8,839.9	-2.5
Straits Times	3,025.5	-0.8
KOSPI	1,905.1	-0.8

Source: Yahoo Finance

### Net Institutional Activity

	Equity	Debt
Weekly FII (US \$ Million)	279.7	-216.1
Year -to-date FII (US\$ million)	12,298.1	4,678.3
Weekly Mutual Funds# (Rs Crore)	-496.0	10,739.0

Source: SEBI

#as on 30 August, 2012

Indian Equity Indices	Closing Value as on 31 August, 2012	Week's % Change
BSE SENSEX	17,429.6	-2.0
BSE 500	6,632.3	-2.1
S&P CNX NIFTY	5,258.5	-2.4
S&P CNX 500	4,129.9	-2.3

Source: NSE, BSE

## COMMODITY MARKETS

» **NYMEX West Texas Intermediate Crude Oil** on 31 August 2012 was US\$ 96.5 per barrel, up by US\$ 0.3 per barrel from the previous week.

» **New York spot price for Gold** was US\$ 1,687.6 per ounce as on 31 August 2012, up by US\$ 14.7 per ounce from the previous week.

Commodity Spot Indices	Closing Value as on 31 August, 2012	Week's % Change
MCX AGRI	3,851.1	-0.8
MCX METAL	5,039.2	-0.2
MCX ENERGY	3,584.7	0.9
MCX COMDEX	4,040.4	0.1

Source: MCX, NCDEX

## INDUSTRY NEWS

### Telecom

- » Videcon is planning a massive investment of Rs 800-1,000 crore in Punjab in the telecom domain. The funds will be used on the capacity augmentation, deployment of additional 1,000 BTS sites, business portfolio diversification and research & development. The company is also considering investment in other areas such as retail, electronics and home appliances.

### Innovation

- » Council of Scientific and Industrial Research (CSIR) to set up the country's first CSIR Innovation Complex at Baruipur, close to Kolkata by 2014 at an estimated cost Rs. 100 crore. This complex will help to boost commercialisation of innovations. Two more such complexes will be opened up soon in Mumbai and Chennai.

### Automobile

- » In order to boost the electric vehicles sales, the government has approved the extension of the Ministry of New and Renewable Energy's subsidy scheme for both electric cars and two-wheelers in the country. Since the discontinuation of this scheme in March 2012, the sales of electric vehicles have dropped by 65%. This scheme will continue until proposals for subsidies under the National Mission for Electric mobility are introduced.

BSE Indices	Closing Value as on 31 August, 2012	Week's % Change
AUTO INDEX	9,240.4	-3.7
BANKEX	11,515.9	-3.0
BSE CAPITAL GOODS	9,447.5	-4.8
BSE CONSUMER DURABLE	6,241.0	-1.0
BSE FMCG	5,355.6	1.0
BSE HEALTHCARE	7,495.6	1.0
BSE INFOTECH	5,742.0	-1.0
BSE MID CAP	6,005.0	-1.9
BSE SMALL CAP	6,395.1	-2.7
BSE TECK INDEX	3,252.2	-1.2
METAL INDEX	9,687.5	-7.0
OIL & GAS INDEX	8,211.5	-2.2

Source: BSE

CNX Segment Indices	Closing Value as on 31 August, 2012	Week's % Change
CNX NIFTY Junior	9,892.2	-2.1
CNX MIDCAP	7,065.9	-2.0
BANK NIFTY	9,990.5	-3.3
CNX IT	6,072.4	-1.6
CNX Realty	199.0	-6.0
CNX Infrastructure	2,233.9	-3.7

Source: NSE

## GLOBAL NEWS

### USA

- » In the week ending August 25, the advance figure for seasonally adjusted initial claims of unemployment benefits was 374,000 unchanged from the previous week's revised figure of 374,000. The 4-week moving average was 370,250, an increase of 1,500 from the previous week's revised average of 368,750.
- » In US factory order rose by 2.8% in July 2012, highest gain in last eight months. This is attributable to robust surge in the demand for motor vehicles and airplanes. However, orders for core capital goods declined by 4%, reflecting sluggish growth in the investment spending in the economy.

### Europe

- » Unemployment in EU-17 rose to 11.3% in July 2012. While inflation grew by 2.6% in August 2012, beating the expected rate of 2.5%. It also remained above 2.4% recorded last month due to 12.4% hike in the crude oil prices over the past 2 months. Further, slew of bad news one after the other indicates that Euro Zone economy is sinking and is on the verge of further contraction in the third quarter of 2012.

### Philippines

- » Economy grew by 0.2% in the second quarter due to slump in exports. However, state machinery is hoping for a GDP growth of 5-6% for the full year on the back of strong domestic demand and increase in government spending.

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