Confederation of Indian Industry

Economy Update

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Dear Reader

While some signs of revival of industrial activity are indicated, it is too early to assume that the slowdown has bottomed out and green shoots of recovery are around the corner. The IIP growth in January 2013 was powered by an impressive performance of the manufacturing and electricity sector. We are hopeful that the IIP growth will continue to perform well in the remaining months of the current fiscal too underpinned by some improvement in overall growth prospects. On the inflation front, non-food manufacturing inflation continued to moderate sharply, raising hopes for an interest rate cut in the tomorrow's monetary policy review by the RBI.

Chandrajit Banerjee

(Director-General, CII)

INDICATORS

- After a gap of two months, **index of industrial production (IIP)** growth moved into the positive territory in January 2013, growing by 2.4 per cent as compared to a revised –0.5 per cent in the previous month. Signaling the improvement in the underlying trend, manufacturing sector grew by 2.7 per cent in January 2013 as compared to a contraction in the previous two months. However, capital goods production, a measure of investments in factories, contracted by 1.8 per cent in January 2013

- **Wholesale price inflation (WPI)** for February 2013 accelerated marginally to 6.8 per cent, albeit continued to remain below the psychological 7 per cent mark. The WPI reading of December 2012 was revised upwards to 7.3 per cent versus an earlier estimate of 7.2 per cent. In contrast, overall **retail inflation (CPI)** accelerated to 10.9 per cent in February 2013 as compared to 10.8 per cent in the last month mainly on the back of higher food prices.

- **Exports** growth accelerated to 4.2 per cent in February 2013 after moving into the positive territory in January 2013 after a gap of 8 months. **Imports** rose by 2.6 per cent during the month. As the exports outpaced imports, **trade deficit** narrowed sharply to US$14.9 billion during the month.

- **Foreign Exchange Reserves** as on 8 March, 2013 stood at US$290.4 billion, down by US$0.2 billion from that on previous week.

- At the **Treasury Bills Auctions** held during the week, the YTM for 91-day T-Bills stood at 8.10%.

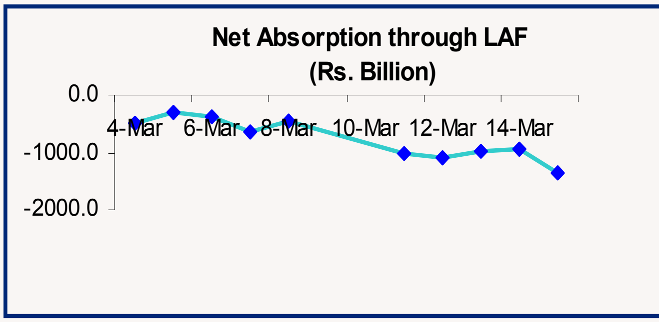
- The **Call Money Rates** as on 8 March 2013 traded in the range of 7.7-7.8 per cent.

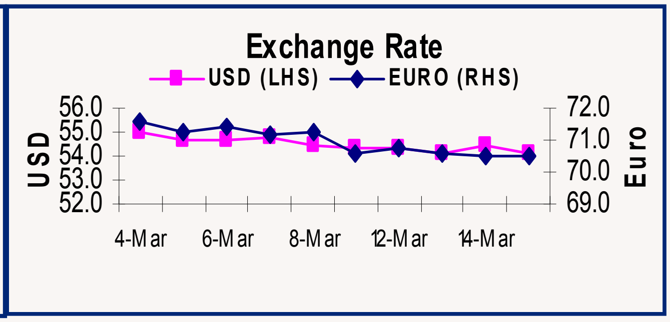
POLICY DEVELOPMENTS

- Oil companies cut the price of petrol by Rs 2 per litre on March 15th– the steepest reduction in rates in nine months. There was however no change announced in diesel prices.

- The Financial Sector regulators (RBI, SEBI, IRDA and PFRDA) signed a Memorandum of Understanding (MoU) for cooperation in the field of consolidated supervision and monitoring of financial groups indentified as financial conglomerates. The Sub-Committee of the Financial Stability and Development Council (FSDC) also approved the National Strategy for Financial Education (NSFE).

- Reserve Bank of India (RBI) signed the first Currency Swap Agreement with the Royal Monetary Authority of Bhutan. The Royal Monetary Authority of Bhutan can make drawals of US Dollar, Euro or Indian Rupee in multiple tranches up a maximum of US$100 million or its equivalent. This is expected to further economic co-operation between the two countries.





BANKING INDICATORS

Rs. Billion

Indicators	Outstanding as on 22 February, 2013	% Variation over Fortnight	Year
Total Bank Credit	**51,260.1**	**0.5**	**16.3**
Food Credit	**1,087.3**	**2.9**	**33.4**
Non Food Credit	**49,911.7**	**0.6**	**16.2**
Aggregate Deposit	**65,610.5**	**-0.1**	**12.7**
Broad Money (M3)	**81,529.4**	**-0.1**	**12.4**
Credit Deposit Ratio	**78.1**		

Source: RBI

EQUITY MARKETS

- **Global share market** traded mixed in the last two weeks. The US stock market jumped by 3.4 per cent on positive employment data. However, the KOSPI traded marginally lower due to the escalation in geo-political tensions between North and South Korea.
- **Indian stocks** gained over last two weeks as most of the indices exhibited decent performance except BSE Consumer Durables.
- **Total turnover** during 4-15 March 2013 on BSE stood at Rs. 17,557 crore and on NSE at Rs. 95,269 crore.

Global Stock Indices	Closing Value as on 15 March, 2013	Weekly Change (%)
NYSE: DJIA	14,539	3.4
FTSE 100	6,490	2.0
Nikkei 225	12,561	8.7
Straits Times	3,286	0.5
KOSPI	1,987	-0.9
Source: Yahoo Finance		

Net Institutional Activity		
	Equity	Debt
Fortnightly FII (US$ Million)	1,233.0	741.8
Year -to-date FII (US$ Million)	9,630.5	2,177.9
Fortnightly Mutual Funds# (Rs Crore)	-1,190.1	34,873.7
Source: SEBI	*#as on 14 March, 2013*	

Indian Equity Indices	Closing Value as on 15 March, 2013	Weekly Change (%)
BSE SENSEX	19,427.6	2.7
BSE 500	7,347.3	2.2
S&P CNX NIFTY	5,872.6	3.2
S&P CNX 500	4,598.2	2.7
Source: NSE, BSE		

COMMODITY MARKETS

- **NYMEX West Texas Intermediate Crude Oil** on 15 March 2013 was US$93.3 per barrel, up by US$2.6 per barrel from the price on 1 March 2013.
- **New York spot price for Gold** was US$ 1,592.8 per ounce as on 15 March 2013, up by US$20.3 per ounce from the price on 1 March 2013.

Commodity Spot Indices	Closing Value as on 16 March, 2013	Weekly Change (%)
MCX AGRI	3,186.3	-0.3
MCX METAL	4,949.2	0.6
MCX ENERGY	3,509.9	2.9
MCX COMDEX	3,849.9	1.3
Source: MCX, NCDEX		

INDUSTRY NEWS

Natural Gas

- Pipeline project has been commissioned between Dabhol and Bengaluru on 18th February, 2013. 22,306 households could be provided with PNG connections in Bengaluru in the first year of operation. This would increase every year and is expected to reach 12, 92,174 after 9 years.

Aviation

- In order to revive the ailing aviation sector, government has taken several measures such as allowing direct import of ATF by airlines on actual user basis, permitting ECBs upto US$1 billion for the airlines to meet their working capital requirement and deregulating operation in domestic sector amongst the other measures.

Railways

- Indian Railways carried 911.53 million tones of revenue earning freight traffic during April 2012–February 2013. The freight carried showed an increase of 4.0 per cent over the same period last year. As for February 2013, the revenue earning freight traffic showed a decrease of 0.19 per cent over the last year.

Steel

- For April-November 2012, India's crude steel production stood at 51.65 million tones, showing an annual growth of 5.7 per cent.

BSE Indices	Closing Value as on 15 March, 2013	Weekly Change (%)
AUTO INDEX	10,625.3	0.1
BANKEX	13,566.0	2.4
BSE CAPITAL GOODS	9,787.9	4.9
BSE CONSUMER DURABLE	6,979.9	-5.7
BSE FMCG	5,849.2	3.3
BSE HEALTHCARE	8,059.5	3.1
BSE INFOTECH	6,900.8	2.0
BSE MID CAP	6,386.1	1.0
BSE SMALL CAP	6,179.5	-0.3
BSE TECK INDEX	3952.34	1.6
METAL INDEX	9,261.9	1.5
OIL & GAS INDEX	8,888.3	2.8

Source: BSE

CNX Segment Indices	Closing Value as on 15 March, 2013	Weekly Change (%)
CNX NIFTY Junior	11,641.7	1.6
CNX MIDCAP	7,725.7	2.5
BANK NIFTY	11,816.6	2.9
CNX IT	7,224.4	1.7
CNX Realty	261.8	1.8
CNX Infrastructure	2,379.2	3.4

Source: NSE

GLOBAL NEWS

US

- Better then expected employment data from US suggest that economic recovery is on a strong footing. US non-farm payrolls added 236K jobs in February 2013, significantly higher than market expectations. The unemployment rate improved to 7.7 per cent in February from 7.9 per cent in the previous month.

Europe

- The Bank of England kept its policy rate unchanged at 0.5 per cent as expected. The quantum of asset purchases was also retained at GBP 375 billion. GDP for Q4 printed -0.3 per cent QoQ taking the full year growth to 0 per cent QoQ and this does not bode well for the growth prospects going ahead. The World Bank has also recently reduced its growth forecast for the UK economy to 1.1 per cent for 2013 as against 1.6 per cent earlier. This projection is even lower than UK's Office of Budget Responsibility's own forecast of 1.2 per cent.

China

- Chinese government maintained its economic growth target at 7.5 per cent on a y-o-y basis for 2013, unchanged from the previous year. The inflation target has been lowered from 4 per cent in 2012 to 3.5 per cent in 2013. The government has promised to increase fiscal spending in 2013 to support growth. China has budgeted fiscal spending at CNY13.82 trillion for 2013, up 9.9 per cent on a y-o-y basis but slower than 2012's spending growth of 15.1 per cent. On the policy front, government has announced greater property market restrictions to rein in the prices.

DISCLAIMER

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