

Economy Update



» WEEKLY NEWSLETTER

» 12-18 March 2012

Dear Reader,

The Finance Minister Mr. Pranab Mukherjee has presented a pragmatic growth oriented Budget that addresses some of the structural constraints in sustaining growth in the medium term and introduces measures to increase investment in the infrastructure and agricultural sectors. The Budget has also presented a plan for fiscal consolidation, including a limit on subsidies.

However, an area of concern for industry is the increase in excise duty and service tax from 10% to 12%. At a time when industry is already facing huge increases in input cost, this will further add to the burden.

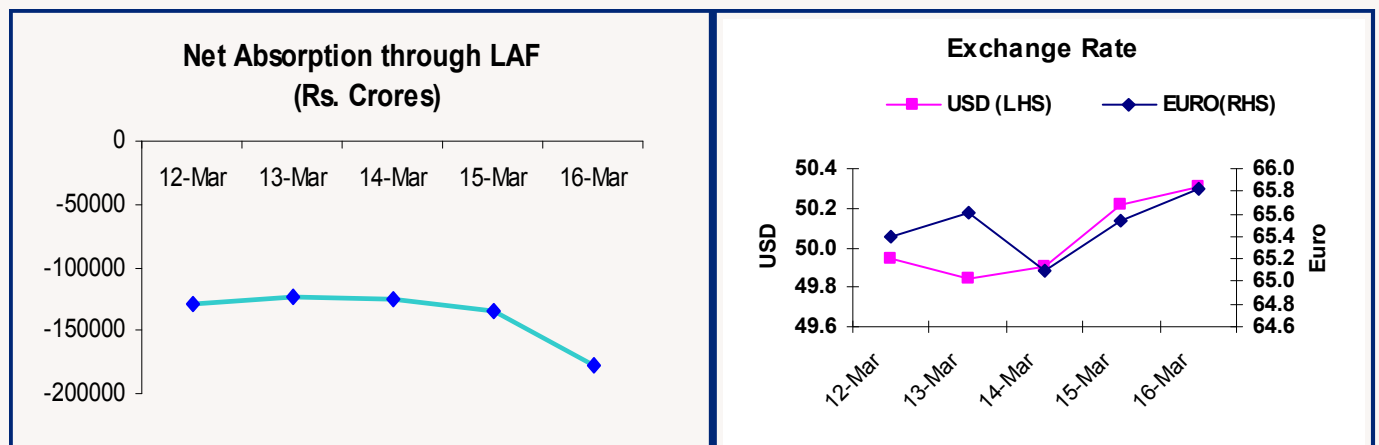
Chandrajit Banerjee
(Director General, CII)

INDICATORS

- » **Fiscal deficit** for 2011-12 stood at 5.9% of GDP, as against the target of 4.6%. Fiscal deficit target for 2012-13 stands at 5.1% of GDP.
- » The **annual inflation** (WPI) for the month of February 2012 stood at 6.95% as compared to 6.55% in January.
- » **Food inflation** rose to 6.3% in February as compared to -0.5% in January 2012.
- » Inflation in **Non-Food Articles** declined by 2.6% in February as compared to 0.6% in January 2012.
- » Inflation in **Manufactured products** recorded a growth of 5.8%, while inflation in **Fuel and power** grew at 12.8% in February 2012.
- » **Foreign Exchange Reserves** as on March 9, 2012 stood at US\$ 294.0 billion, decreasing by US\$ 1.0 billion from the previous week.
- » The **call money rates** as on March 16, 2012 traded in the range of 7.5-9.1%.
- » At the **Treasury bills auctions** held during the week, the YTM for 91-day T-Bills stood at 9.0%.

BUDGET 2012-13

- » Central Excise and Service Tax has been increased from 10% to 12%
- » Personal income tax exemption limit raised to Rs 2,00,000 from Rs 1,80,000, resulting in tax relief of Rs 2,000
- » Rate of withholding tax on interest payments on ECBs reduced from 20% to 5% for 3 years for certain sectors viz infrastructure sector.
- » Reduction in Securities Transaction Tax(STT) by 20% from 0.125% to 0.1% on cash delivery transactions.
- » Permit the airlines industry to raise working capital through ECB up to US\$ 1 billion
- » To allow qualified foreign investors in the corporate debt market.
- » Implementation of Advance Pricing Agreement in Finance Bill, 2012.



BANKING INDICATORS

			Rs. Crore
Indicators	Outstanding as on 24 February,2012	% Variation over Fortnight	Year
Total Bank Credit	44,075.2	0.6	15.6
Food Credit	832.1	2.0	27.4
Non Food Credit	43,243.1	0.5	15.5
Aggregate Deposit	58,154.7	0.3	14.3
Broad Money (M3)	72,262.7	0.2	13.5
Credit Deposit Ratio	75.8		

Source: RBI

EQUITY MARKETS

- » Globally, it was a good week with Germany leading the gainers, rising over 4% for the week, followed by France, up 3.08%, and US ended about 2.4%. Positive data on the US economy revived investment mood globally.
- » Indian markets ended in red post the much awaited Union Budget. Finance Minister Pranab Mukherjee in Union Budget 2012 set only modest targets for trimming a ballooning fiscal deficit and as there was lack of any reform announcement in the Budget, markets did not steer in the positive direction.
- » Total turnover during the week on BSE stood at Rs. 14,701 crore and on NSE at Rs. 67,575 crore.

Global Stock Indices	Closing Value as on 16 March 2012	Weekly Change (%)
NYSE: DJIA	13,232.6	2.4
FTSE 100	5,965.6	1.3
Nikkei 225	10,129.8	2.0
Straits Times	3,010.7	1.6
KOSPI	2034.4	0.0

Source: Yahoo Finance

Net Institutional Activity

	Equity	Debt
Weekly FII (US \$ Million)	1,183.0	-91.3
Year -to-date FII (US\$ million)	-248.4	11,952.1
Weekly Mutual Funds# (Rs Crore)	8,605.5	4,710.4

Source: SEBI

#as on 15 March, 2012

Indian Equity Indices	Closing Value on 16 March 2012	Week's % Change
BSE SENSEX	17,466.2	-0.2
BSE 500	6,775.8	-0.3
S&P CNX NIFTY	5,317.9	-0.3
S&P CNX 500	4,226.1	-0.3

Source: NSE, BSE

COMMODITY MARKETS

- » NYMEX West Texas Intermediate Crude Oil for April delivery stood at US\$ 107.06 per barrel on 16 March 2012, down by US\$ 0.3 per barrel from the previous week.
- » New York spot price for Gold was US\$ 1,656.1 per ounce as on 16 March 2012, down by US\$ 55.4 per ounce from the previous week.

Commodity Spot Indices	Closing Value as on 17 March 2012	Week's % Change
MCX AGRI	3,685.15	1.4
MCX METAL	4,881.02	-0.1
MCX ENERGY	3,438.54	-0.1
MCX COMDEX	3,892.04	0.2

Source: MCX, NCDEX

BUDGET 2012-13

Infrastructure

- » During the 12th plan period, investment in infrastructure to go up to Rs 50 lakh crore, half of which is expected from private sector.
- » Telecom towers and irrigation projects to get viability gap funding.
- » Setting up of infrastructure debt fund
- » Tax free bonds of Rs. 60,000 crore to be allowed for financing infrastructure projects in FY13..

Agriculture

- » Plan outlay for Department of Agriculture and Co-operation increased by 18%.
- » Target for agricultural credit raised by Rs 1,00,000 crore to Rs. 5,75,000 crore in FY13.
- » Rs 200 crore set aside for incentivizing research with rewards.
- » Food grains storage capacity is to be increased by 2 million tones
- » Continuation of lower farm interest rate (at 7%) and interest rate subvention of 3% for prompt paying farmer.

Coal

- » Full exemption from basic customs duty and a concessional CVD of 1% to steam coal for a period of two years till March 31, 2014.
- » Reduction in basic customs duty on machinery and instruments for surveying and prospecting from 10% and 7.5% respectively to 2.5%
- » Full exemption from basic customs duty for coal mining projects.

BSE Indices	Closing Value on 16 March 2012	Week's % Change
AUTO INDEX	10,132.5	1.1
BANKEX	12,203.3	1.0
BSE CAPITAL GOODS	10,556.6	3.6
BSE CONSUMER DURABLE	6,522.2	-1.7
BSE FMCG	4,206.6	1.0
BSE HEALTHCARE	6,485.2	0.6
BSE INFOTECH	6,080.9	-0.8
BSE MID CAP	6,405.4	1.2
BSE SMALL CAP	6,780.5	0.5
BSE TECK INDEX	3,567.4	-0.9
METAL INDEX	11,776.9	2.4
OIL & GAS INDEX	8,523.6	2.3

Source: BSE

CNX Segment Indices	Closing Value on 16 March 2012	Week's % Change
CNX NIFTY Junior	10,324.5	-0.1
CNX MIDCAP	7,638.9	-0.4
BANK NIFTY	10,391.4	-0.7
CNX IT	6,501.3	-0.9
CNX Realty	242.0	-1.9
CNX Infrastructure	2,556.3	-0.7

Source: NSE

BUDGET 2012-13

Cement

- » Unified rate of excise duty of 12% + Rs 120PMT for non-mini cement plants and 6% + Rs 120 PMT for mini-cement plants.
- » Extension of scheme for interest subvention of housing loans, enhancement in provisions under Rural Housing fund, ECB for low cost affordable housing, setting up of Guarantee Trust Fund to ensure better flow of institutional credit for housing loans.
- » Slew of measures for improving funding of infrastructure projects (VGF, enhancement of limit for tax-free infrastructure bonds and allowing ECBs for funding projects).

Iron & Steel

- » Increase in basic customs duty on non-alloy flat rolled steel from 5% to 7.5%
- » Reduction in basic customs duty on imported machinery for iron ore pellet and beneficiation plants from 7.5% to 2.5%
- » Exemption from basic customs duty and concessional CVD on imported steam coal till March 31, 2014
- » Exemption from basic customs duty on nickel ore & concentrate, and increased export duty on chromium ore from Rs 3,000 per tonne to 30% ad valorem.
- » Exemption from special CVD on prime quality cold rolled grain oriented (CRGO) sheets of silicon electrical steel.

Oil & Gas

- » Increase in cess on domestic crude oil production from Rs 2,500 per tonne to Rs 4,500 per tonne.
- » Exemption of custom duty on import of LNG for power generation for two years
- » Eligibility of LNG storage facilities and oil & gas pipelines for VGF
- » Relaxation of ECB norms for gas pipelines and regassification companies.
- » Provision of subsidy for sensitive petroleum products: Rs 68,493 crore for 2011-12 (RE) and Rs 43,695 crore for 2012-13 (BE).
- » Direct payment of subsidy to the people living below poverty line on LPG and SKO (PDS).

Power

- » Full exemption from basic customs duty & concessional Countervailing Duty (CVD) of 1% on steam coal for 2 years till March 31, 2014
- » Full exemption from basic customs duty on Natural Gas & Liquefied Natural Gas (LNG)
- » Inter-ministerial group (IMG) to be formed to periodically review allocated captive mine blocks or make recommendations for de-allocation, if required.
- » Qualified Foreign Investors (QFIs) allowed to access corporate bond market.
- » ECB allowed for part-financing of rupee debt for power projects.
- » Additional depreciation of 20% allowed in the initial years for new assets acquired by power generation companies.

GLOBAL NEWS

USA

- » In the week ending 10 March, the advance figure for seasonally adjusted initial claims was 351,000, a decrease of 14,000 from the previous week's revised figure of 355,750.
- » The US current account deficit increased to US\$ 124.1 billion in the fourth quarter of 2011, from US\$ 107.6 billion in the third quarter. Most of the increase in the current account deficit was due to a decrease in the surplus on income and an increase in the deficit on goods and services.

Europe

- » The number of persons employed decreased by 0.2% in the euro area and by 0.1% in the EU 27 in the fourth quarter of 2011 compared with the previous quarter. In the third quarter of 2011, employment decreased by 0.2% in both zones.

- » The first estimate for the Euro Area trade in goods balance with the rest of the world in January 2012 gave a 7.6 billion euro deficit, compared with -16.1 billion in January 2011. The December 2011 balance was 9.1 billion, compared with -1.7 billion in December 2010.

- » Euro Area annual inflation was 2.7% in February 2012, unchanged compared with January. A year earlier the rate was 2.4%. Monthly inflation was 0.5% in February 2012.

Asia

- » China's new home prices fell in 27 of 70 cities in February from a year earlier and prices were unchanged in six cities. This is the worst performance in a year.

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Confederation of Indian Industry

The Mantosh Sondhi Centre
23, Institutional Area, Lodi Road, New Delhi – 110 003 (India)
T: 91 11 24629994-7 • F: 91 11 24626149 • E: ecoresearch@cii.in • W: www.cii.in
Reach us via our Membership Helpline: 00-91-11-435 46244 / 00-91-99104 46244
CII Helpline Toll free No: 1800-103-1244