



Confederation of Indian Industry

Economy Update



» WEEKLY NEWSLETTER

» 13—19 February 2012

Dear Reader,

The moderation in inflation in January came as a welcome relief to consumers and to companies, who have been hurt by persistently high inflation over the last two years. December corporate results show that despite high sales growth, companies' profits have slumped across a range of sectors, primarily due to rising interest and raw material costs. CII is hoping that a reduction in interest rates by the RBI together with a credible plan to reduce the fiscal deficit will make an impact on the inflation trajectory.

Chandrajit Banerjee
(Director General, CII)

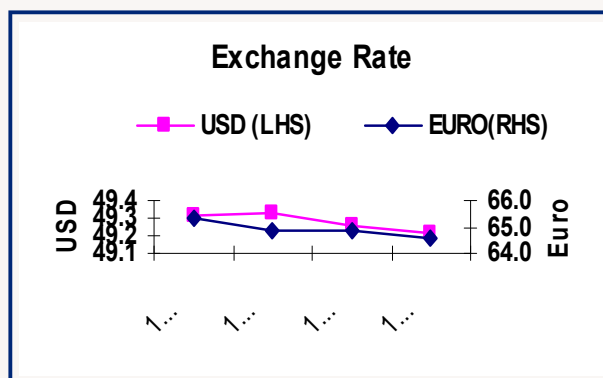
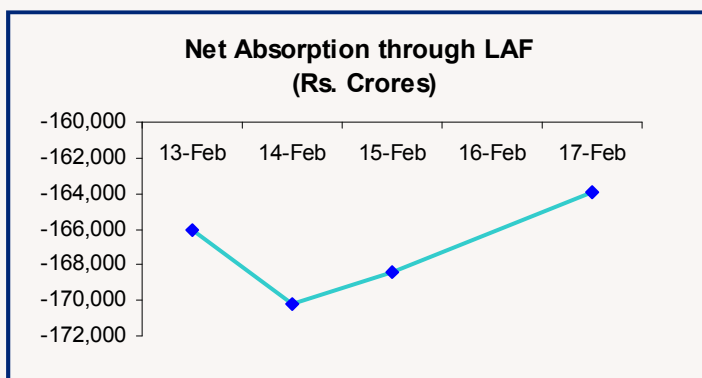
INDICATORS

- » **Wholesale Price Index has moderated to 6.6%** for January 2012 as compared to 9.5% during the same period last year;
- » Inflation in primary articles has declined to 2.3% in January 2012 from 18.4% last year
- » Inflation in food articles has plunged to -0.5% from 16.7%
- » Inflation in non-food articles has moderated to 0.6% from 26.6% in the reference period.
- » Inflation in Fuel and Power increased from 11.4% in January 2011 to 14.2% in January 2012
- » Inflation in Manufactured products increased from 5.3% in January 2011 to 6.5% in January 2012
- » **Foreign Exchange Reserves** as on February 10 2012 stood at US\$ 293.4 billion, down by US\$ 0.4 billion from the previous week.
- » The **call money rates** as on February 17 2012 traded in the range of 7.5-9.0%.
- » At the **Treasury bills auctions** held during the week, the YTM for 91-day T-Bills stood at 8.9%.



POLICY DEVELOPMENT

- RBI raised the Bank Rate from 6.0% to 9.5% in order to align it with the Marginal Standing Facility (MSF). Now any change in MSF rate will lead to automatic revision in Bank rate
- Government has decided to phase out compensation given to states against Central Sales Tax loss from 2011-12 to reign its expenditure amidst weak economic growth, poor global recovery and growing deficit. So far, government has compensated to the tune of Rs. 6,394 crore against the total CST loss of Rs. 12,000 crore. Furthermore, government has also declared that it will not compensate states which have failed to raised Base VAT from 4% to 5%.
- To contain burgeoning fiscal deficit, Finance Ministry has stated that no government department will spend more than 33% of the total amount allocated to it in a year's budget in the final quarter. Currently, of 106 Departments, about 87 have spent up to 67% during April-December 2011-12.



BANKING INDICATORS

Indicators	Outstanding as on 27 January, 2012	% Variation over Fortnight	Rs. Crore
			Year
Total Bank Credit	43,513.3	-0.1	16.4
Food Credit	830.9	-3.8	35.8
Non Food Credit	42,682.4	0.0	16.2
Aggregate Deposit	51,681.0	-0.5	15.7
Broad Money (M3)	71,594.7	-0.5	14.4
Credit Deposit Ratio	75.4		

Source: RBI

EQUITY MARKETS

» US stocks remained stable after showing some buoyancy due to the delay in second bailout to Greece.

» Indian stock markets maintained its upward streak, backed by sustained buying of all major stocks barring Oil and Gas. Auto, Banking, Consumer Durables and Capital goods remained the major gainers. Consequently, BSE and NSE closed above the 18,000 and 5,500 level respectively.

» Total turnover during the week on BSE stood at Rs. 18,061 crore and on NSE at Rs. 76,636 crore.

Global Stock Indices	Closing Value as on 17 February 2012	Weekly Change (%)
NYSE: DJIA	12,904.1	0.8
FTSE 100	5,905.1	0.9
Nikkei 225	9,384.2	4.9
Straits Times	3,000.6	1.4
KOSPI	2,023.5	1.5

Source: Yahoo Finance

Net Institutional Activity		
	Equity	Debt
Weekly FII (US \$ Million)	877.0	105.4
Year -to-date FII (US\$ million)	4,854.4	3,208.7
Weekly Mutual Funds# (Rs Crore)	-427	5,452.0

Source: SEBI #as on 17 Feb, 2012

Indian Equity Indices	Closing Value on 17 February 2012	Week's % Change
BSE SENSEX	18,289.4	3.0
BSE 500	7,077.0	3.7
S&P CNX NIFTY	5,522.0	2.0
S&P CNX 500	4,385.9	2.7

Source: NSE, BSE

COMMODITY MARKETS

» NYMEX West Texas Intermediate Crude Oil for January delivery stood at US\$ 103.24 per barrel on 17 February 2012, up by US\$ 4.54 per barrel from the previous week.

» New York spot price for Gold was US\$ 1,725.4 per ounce as on 17 February 2012, down by US\$ 1.5 per ounce from the previous week.

Commodity Spot Indices	Closing Value as on 17 February 2012	Week's % Change
MCX AGRI	3,384.2	0.3
MCX METAL	4,807.7	-2.3
MCX ENERGY	3,333.8	3.9
MCX COMDEX	3,766.2	0.2

Source: MCX, NCDEX

INDUSTRY NEWS

Power

- West Bengal Power Development Corporation is planning to set up two hydel power plants having a total capacity of 300 MW with an investment of Rs. 2,000 crore. One plant of 200-220 MW will be setup at the confluence of Rangit and Teesta rivers and second (80-100 MW) will be setup near Coronation or Sevoke bridge near Siliguri on Teesta

Skill Development

- World Bank has offered Rs. 480 crore to India for imparting skill training to 22 million workers by 2022 for 21 sectors.

Railways

- Fourth rail coach manufacturing facility to be established in nearly three years at Palakkad, Kerela with an estimated cost of Rs.550 crore (excluding land cost). It will be the first facility to be built on a PPP model which can produce 400 lighter coaches annually using Japanese technology.

BSE Indices	Closing Value on 17 February 2012	Week's % Change
AUTO INDEX	10,319.2	6.2
BANKEX	12,736.1	6.3
BSE CAPITAL GOODS	11,106.8	7.9
BSE CONSUMER DURABLE	6,647.4	7.8
BSE FMCG	4,153.2	0.5
BSE HEALTHCARE	6,375.3	0.4
BSE INFOTECH	6,266.9	3.6
BSE MID CAP	6,544.6	4.8
BSE SMALL CAP	7,116.5	3.3
BSE TECK INDEX	3,689.3	3.0
METAL INDEX	12,572.5	1.7
OIL & GAS INDEX	8,644.7	-1.4

Source: BSE

CNX Segment Indices	Closing Value on 17 February 2012	Week's % Change
CNX NIFTY Junior	10,785.9	4.1
CNX MIDCAP	7,875.4	4.5
BANK NIFTY	10,921.9	4.6
CNX IT	6,622.0	2.1
CNX Realty	277.8	9.2
CNX Infrastructure	2,722.4	5.1

Source: NSE

GLOBAL NEWS

USA

- » In the week ending 11 February, the advance figure for seasonally adjusted initial claims was 348,000, a decrease of 13,000 from the previous week's figure of 361,000.
- » US president has proposed a Budget of US\$ 3.8 trillion. The government has proposed more allocation for jobs, highways and bridges, schools, student aid and manufacturing research. On the other hand, taxes will increase on corporations, banks, oil, natural gas and coal companies.
- » US Congress has passed tax cut bill. Under this, tax cut will be extended for 160 million workers in order to boost economic growth. Current payroll tax of 4.2% will be applicable through the end of 2012.

» Europe

Spain economy shrank by 0.3% in the fourth quarter of 2011 on quarter on quarter basis for the first time in last two years. However, on annual basis, it grew by 0.3% in the fourth quarter as compared to 0.8% in the third quarter owing to improvement in manufacturing, services industries and exports. Overall, economy of Spain expanded by 0.7% during 2011 as compared to a fall of 0.1% a year ago.

Asia

- » China in its recent move to boost economy has lowered the ratio of funds that banks must hold as reserve by 0.5% from 21% to 20.5%; second cut in two months. This has positively influenced Asia stock markets - Nikkie gained 1.0%, Hang Seng rose by 0.7%, Sanghai Composite Index went by 0.9% and Kospi by 0.2%.

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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