

Economy Update



» WEEKLY NEWSLETTER

» 17-23 September 2012

Dear Reader

The fiscal deficit target of the central government has been raised to 5.3% from 5.1% of GDP for 2012-13. The chances of slippage from the new revised target also remain high despite the recent fiscal consolidation measures announced by the government. The government needs to urgently roll out more austerity measures in the days to come in order to cushion the falling revenue growth. CII is happy to note that government has not buckled under the pressure from the opposition and gone ahead with the notification of FDI in multi-retail, a move which we expect will prove to be beneficial for the economy in the long-run. Hence, we feel that the current political opposition to the move is totally uncalled for.

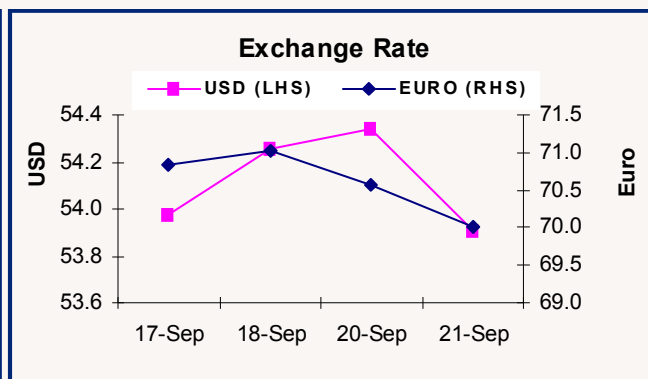
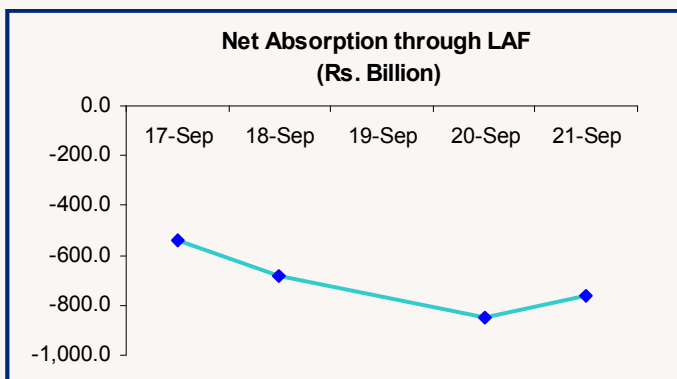
Chandrajit Banerjee
(Director General, CII)

INDICATORS

- » **Consumer Price Inflation (CPI)** once again entered double digits after a gap of two months. It rose to 10.0% in August 2012 from 9.9% in July 2012 due to rise in the price of food article which went up to 12.0% from 11.5% in the previous month. Price pressure was felt more in urban areas, where inflation was 10.2% as compared to 9.9% in rural areas. The CPI is likely to go up in coming months fueled by Rs. 5/litre hike in diesel price in the last week.
- » Government has revised its **Fiscal Deficit Target** as percentage of GDP from 5.1% to 5.3% for the current fiscal year (2012-13) after taking a stock of net situation post its move on fuel prices and tentative realizations from disinvestment process.
- » Government has **notified its decision of FDI** upto 51% in multi brand retail. However, it has prohibited such investment inflow in e-commerce in both single and multi-brand retail sector. Further, government has asked foreign companies engaged in this business to comply with the rule of sourcing at least 30% of inputs from India within next five years.
- » **Foreign Exchange Reserves** as on 14 September, 2012 stood at US\$294.5 billion, up by US\$2.4 billion from the previous week.
- » At the **Treasury Bills Auctions** held during the week, the YTM for 91-day T-Bills stood at 8.1%.
- » The **Call Money Rates** as on 21 September 2012 traded in the range of 7.0-8.1%.

POLICY DEVELOPMENT

- » SEBI has proposed to make application supported by blocked amount (Asba) compulsory for retail investors, though in a phased manner. This move is expected to reduce the time consumed between closure of an IPO and listing of a security from current 12 days to 5 days. Besides, it has also shown its intention of shifting from the current IPO distribution model of “syndicate Asba” to “bank Asba”.
- » Union government is considering the debt restructuring of loss making state power distribution companies in 3 weeks. The Power Ministry has proposed for converting about half of their debt (which is close to Rs. 2 lakh crore) into bonds to be issued by state governments, while the rest will be restructured.
- » Insurance Regulatory and Development Authority (IRDA) has proposed a tough public issue norms in non-life arena. According to this, no general insurance company could approach SEBI for public issue of shares and for a subsequent issue, without its prior written approval.
- » Government slashed import duty on gold findings from 10% to 4% to support gem and jewellery exports.



BANKING INDICATORS

			Rs. Billion
Indicators	Outstanding as on 7 September, 2012	% Variation over Fortnight	Year
Total Bank Credit	47,496.9	0.6	16.6
Food Credit	947.0	-2.2	29.0
Non Food Credit	46,549.9	0.6	16.3
Aggregate Deposit	63,210.3	0.5	14.4
Broad Money (M3)	78,183.2	0.4	13.7
Credit Deposit Ratio	75.1		

Source: RBI

EQUITY MARKETS

- » **Global share** remained flat last week in response to mixed news— prevailing uncertainty about the global outlook in general and Spain government's efforts toward potential bailout.
- » **Indian stocks** gained marginally last week owing to notification of some of the reforms taken recently. Majority of the BSE indices rallied except BSE Healthcare, Infotech, FMCG and Teck Indices.
- » **Total turnover** during the week on BSE stood at Rs. 7,802 crore and on NSE at Rs. 44,523 crore.

Global Stock Indices	Closing Value as on 21 September, 2012	Weekly Change (%)
NYSE: DJIA	13,596.9	0.4
FTSE 100	5,852.6	-1.1
Nikkei 225	9,110.0	1.3
Straits Times	3,078.2	0.3
KOSPI	2,002.4	-0.3

Source: Yahoo Finance

Net Institutional Activity

	Equity	Debt
Weekly FII (US \$ Million)	1,152.0	292.2
Year -to-date FII (US\$ million)	13,970.3	4,852.8
Weekly Mutual Funds# (Rs Crore)	-1,162.0	9,178.2

Source: SEBI

#as on 20 September, 2012

Indian Equity Indices	Closing Value as on 21 September, 2012	Weekly Change (%)
BSE SENSEX	18,752.8	1.6
BSE 500	7,131.8	2.4
S&P CNX NIFTY	5,691.2	2.0
S&P CNX 500	4,456.2	2.5

Source: NSE, BSE

COMMODITY MARKETS

- » **NYMEX West Texas Intermediate Crude Oil** on 21 September 2012 was US\$92.9 per barrel, down by US\$6.1 per barrel from the previous week.
- » **New York spot price for Gold** was US\$ 1,778.2 per ounce as on 21 September 2012, up by US\$5.4 per ounce from the previous week.

Commodity Spot Indices	Closing Value as on 21 September, 2012	Weekly Change (%)
MCX AGRI	3,635.4	-3.0
MCX METAL	5,383.0	-1.1
MCX ENERGY	3,376.0	-8.0
MCX COMDEX	4,050.8	-3.7

Source: MCX, NCDEX

INDUSTRY NEWS

Information Technology

» To usher second revolution in information and communication technology (ICT), the Union Government is planning to connect 2,50,000 village panchayats through an optical fiber network in next two years time. This exercise will cost more than Rs. 1,00,000 crore to the exchequer.

Agriculture

» Spices Board of India has setup a training centre in collaboration with CII and the US FDA, for food safety and supply chain management. This centre is expected to facilitate capacity building and develop product specific testing procedures in the sector of spices and botanical ingredients, besides boosting trade between these two nations (India and US).

Textiles

» Central Silk Board is eyeing at a bigger share in global silk trade. The board is hopeful that declining China's silk production will give a leeway to India for a quantum jump. Currently India stands second in the world. During 2011-12, total domestic production stood at 23,000 tonnes and have earned Rs. 2,500 crore from the silk exports. The production this year (2012-13) is likely to cross 26,000 tonnes, a growth of around 20% on year-on-year basis.

BSE Indices	Closing Value as on 21 September, 2012	Weekly Change (%)
AUTO INDEX	10,269.6	3.3
BANKEX	13,037.3	7.0
BSE CAPITAL GOODS	10,733.2	6.9
BSE CONSUMER DURABLE	6,623.6	0.7
BSE FMCG	5,295.7	-2.1
BSE HEALTHCARE	7,357.8	-2.2
BSE INFOTECH	5,982.9	-3.6
BSE MID CAP	6,432.4	3.0
BSE SMALL CAP	6,809.2	2.8
BSE TECK INDEX	3,450.2	-1.3
METAL INDEX	10,678.3	3.0
OIL & GAS INDEX	8,853.6	1.6

Source: BSE

CNX Segment Indices	Closing Value as on 21 September, 2012	Weekly Change (%)
CNX NIFTY Junior	10,672.6	4.5
CNX MIDCAP	7,650.4	4.2
BANK NIFTY	11,358.5	6.7
CNX IT	6,379.6	-3.3
CNX Realty	236.1	9.1
CNX Infrastructure	2,505.2	7.0

Source: NSE

GLOBAL NEWS

USA

» In the week ending September 15, the advance figure for seasonally adjusted initial claims of unemployment benefits were 382,000, a decrease of 3,000 from the previous week's revised figure of 385,000. The 4-week moving average was 377,750, an increase of 2,000 from the previous week's revised average of 375,750.

» The United States has filed a broad trade case against China at the WTO, alleging unfair subsidies for exports of cars and auto parts during 2009 to 2011 amounting to at least

US\$1 billion. While, Chinese exports of these stood at US\$56 billion during this period.

Europe

» Consensus has been formed on giving further grace period to Greece for repaying its debts to international lenders but it will not get more money.

Japan

» Japanese Central Bank is going for quantitative easing and intend to buy government bonds and other assets worth between 10-80 trillion yen to revive economic recovery. This plan has been extended till end of 2013. Additionally, it has kept the benchmark interest rate steady in the range of 0-0.1%.

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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