



Confederation of Indian Industry

Economy Update



» WEEKLY NEWSLETTER

» 20-26 February 2012

Dear Reader,

Persistent shortage of liquidity has resulted in large overnight borrowings by banks from the RBI. Compared to the RBI's comfort zone of maintaining a liquidity deficit of 1% of deposits which amounts to approximately Rs. 60,000 crore, the deficit remained in excess of Rs. 1 lakh crore over the last few weeks. This has prompted calls for another CRR reduction as the previous one which released Rs. 32,000 crore into the system has proved inadequate. CII would also urge the RBI to cut interest rates sooner than later in order to encourage credit growth.

Chandrajit Banerjee
(Director General, CII)

INDICATORS

- » All India **Consumer Price Index** for Rural, urban and combined for the month of January 2012 stood at 7.7%
- » **Foreign Exchange Reserves** as on February 24, 2012 stood at US\$ 293.4 billion, unchanged from the previous week.
- » The **call money rates** as on February 24, 2012 traded in the range of 7.5-8.7%.
- » At the **Treasury bills auctions** held during the week, the YTM for 91-day T-Bills stood at 9.0%.
- » At the auction of **government securities** held on Friday 24th February, the YTM for government stock to mature in 8 years, 12 years and 18 years stood at 8.3%, 8.3% and 8.6% respectively.
- » One year **LIBOR** for US\$ as on 22 February, 2012 stood at 1.1%.

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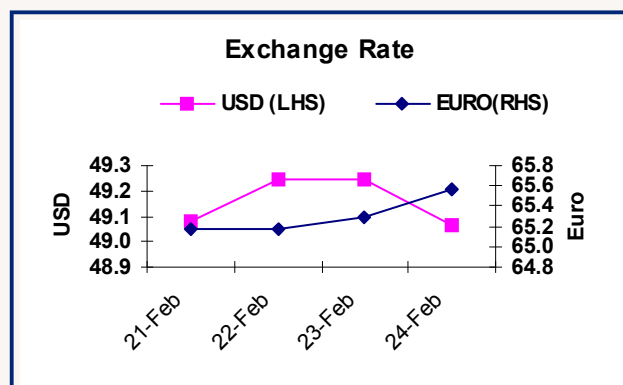
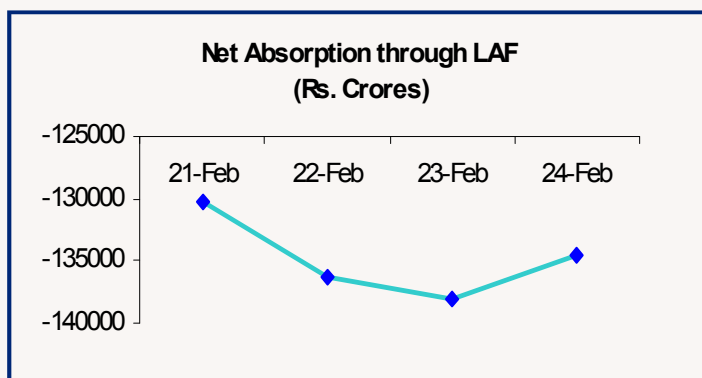
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POLICY DEVELOPMENT

- » The Government plans to increase the price of urea and link it to the price of gas in an attempt to reduce its burgeoning fertilizer subsidy bill. Retail prices may be raised by a flat 10% from April and incrementally revised thereafter.
- » To meet the dual objective of making progress towards GST and bringing more items under the tax net to jack up government revenues, the finance ministry may levy excise duty on some of the exempted goods in the upcoming Budget.



BANKING INDICATORS

Rs. Crore

Indicators	Outstanding as on 10 February, 2012	% Variation over Fortnight	Year
Total Bank Credit	43,823.9	0.7	15.7
Food Credit	815.8	-1.8	27.5
Non Food Credit	43,008.1	0.8	13.6
Aggregate Deposit	58,004.6	0.6	15.0
Broad Money (M3)	71,925.7	0.7	14.0
Credit Deposit Ratio	75.6		

Source: RBI

EQUITY MARKETS

- » Major global markets including the US, Europe, Brazil, Russia, China and South Africa posted moderate gains last week, while India, Hong Kong, Italy and South Korea ended in the red. The global markets are struggling for positive triggers.
- » After seven weeks of gains, Indian stock markets fell last week as nervousness among investors on sustainability of the northward momentum on bourses, rising crude prices and high fiscal deficit weighed on market sentiments.
- » Total turnover during the week on BSE stood at Rs. 18,666 crore and on NSE at Rs. 90,306 crore.

Global Stock Indices	Closing Value as on 24 February 2012	Weekly Change (%)
NYSE: DJIA	12,983.0	0.6
FTSE 100	5,935.1	0.5
Nikkei 225	9,647.4	2.8
Straits Times	2,978.1	-0.8
KOSPI	2,019.9	-0.2

Source: Yahoo Finance

Net Institutional Activity

	Equity	Debt
Weekly FII (US \$ Million)	698.2	224.6
Year -to-date FII (US\$ million)	5,552.6	3,312.5
Weekly Mutual Funds# (Rs Crore)	-1,239.7	5,782.1

Source: SEBI

#as on 23 Feb, 2012

Indian Equity Indices	Closing Value on 24 February 2012	Week's % Change
BSE SENSEX	17,923.6	-2.0
BSE 500	6,871.9	-2.9
S&P CNX NIFTY	5,429.3	-1.7
S&P CNX 500	4,284.6	-2.3

Source: NSE, BSE

COMMODITY MARKETS

- » NYMEX West Texas Intermediate Crude Oil for January delivery stood at US\$ 109.8 per barrel on 24 February 2012, up by US\$ 6.6 per barrel from the previous week.
- » New York spot price for Gold was US\$ 1,776.4 per ounce as on 24 February 2012, up by US\$ 51 per ounce from the previous week.

Commodity Spot Indices	Closing Value as on 25 February 2012	Week's % Change
MCX AGRI	3,505.1	3.6
MCX METAL	4,939.4	2.7
MCX ENERGY	3,478.1	4.3
MCX COMDEX	3,895.1	3.4

Source: MCX, NCDEX

INDUSTRY NEWS

Aviation

- » Airline passenger traffic grew 8.1% in January 2012 to 5.3 million people y-o-y. A higher base last year and high fares partly explain the slower growth in passenger traffic.

Power

- » To discourage cheaper imports from China, the power ministry proposed a 19% import duty on power generation equipments.

Oil and Gas

- » The Competition Commission of India (CCI) today imposed a penalty of Rs 165.6 crore on 48 LPG cylinder makers for forming a cartel while bidding during the tenders floated by Indian Oil in 2010-11.

Realty

- » Property consultants and real estate developers have demanded industry status to the realty sector in the forthcoming Budget.

BSE Indices	Closing Value on 24 February 2012	Week's % Change
AUTO INDEX	10,033.2	-2.8
BANKEX	12,068.5	-5.2
BSE CAPITAL GOODS	10,561.0	-4.9
BSE CONSUMER DURABLE	6,544.4	-1.6
BSE FMCG	4,190.0	0.9
BSE HEALTHCARE	6,279.2	-1.5
BSE INFOTECH	6,309.0	0.7
BSE MID CAP	6,300.1	-3.7
BSE SMALL CAP	6,857.0	-3.6
BSE TECK INDEX	3,681.8	-0.2
METAL INDEX	12,072.8	-4.0
OIL & GAS INDEX	8,652.7	0.1

Source: BSE

CNX Segment Indices	Closing Value on 24 February 2012	Week's % Change
CNX NIFTY Junior	10,332.2	-4.2
CNX MIDCAP	7,588.3	-3.6
BANK NIFTY	10,506.8	-3.8
CNX IT	6,747.2	1.9
CNX Realty	259.8	-6.5
CNX Infrastructure	2,638.9	-3.1

Source: NSE

GLOBAL NEWS

USA



In the week ending 18 February, the advance figure for seasonally adjusted initial claims was 351,000, unchanged from the previous week's revised figure of 351,000.

Europe



GDP fell by 0.3% in both the Euro Area and the EU 27 during the fourth quarter of 2011, compared with the previous quarter. In the third quarter of 2011, growth rates were 0.1% and 0.3% respectively.



The first estimate for the Euro Area trade in goods balance with the rest of the world in December 2011 gave a 9.7 billion euro surplus, compared with -1.7 billion in

December 2011.



In December 2011 compared with November 2011, the Euro Area industrial new orders index rose by 1.9%, after a fall of 1.1% in November.

G-20 Summit



Finance Ministers and central bankers from the Group of 20 advanced and developing economies, after a two day meeting, indicated they anticipated an agreement to expand Europe's rescue fund next month.

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