

Economy Update



» WEEKLY NEWSLETTER

» 24-30 December 2012

Dear Reader

Year 2012 threw up many challenges for the economy owing to both global and domestic factors. While on one hand, we saw GDP growth slowing down to multi-year lows, inflation remained persistently high. The year 2013 too is expected to remain a difficult one for the economy. Both fiscal and monetary ammunition at the disposal of the policy makers would need to be used to pull the economy out of the woods. Improvement in global economic prospects would also be critical. CII hopes that the government would keep the reforms juggernaut rolling and RBI in its part would oblige with an interest rate cut at the earliest.

Chandrajit Banerjee

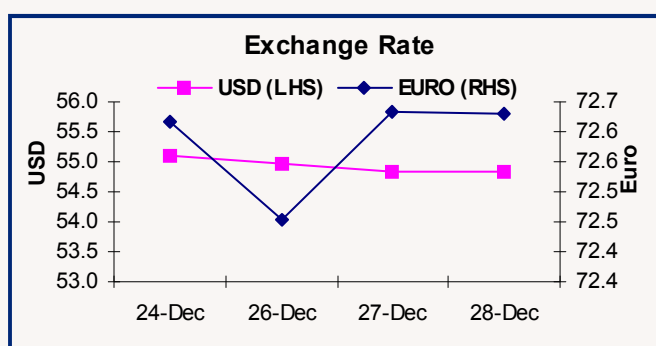
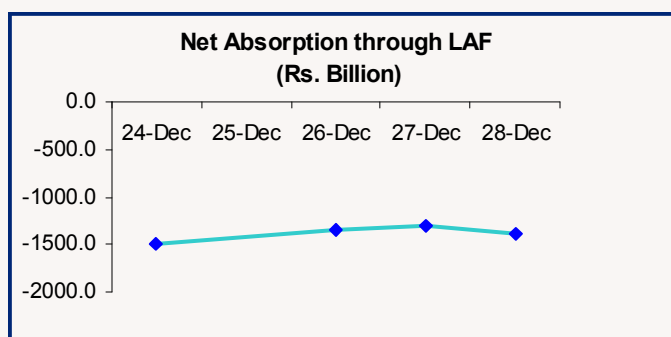
(Director-General, CII)

INDICATORS

- » As per Finance Ministry, the third installment of **Advance Tax** (October – 20 December 2012) collection recorded a growth of 10.4% to Rs 78,226 crore, against Rs 70,826 crore in the corresponding period a year ago. However, in the current financial year (April 1-December 20), advance tax collections grew 7.5% over the corresponding period last year. It included a 7.0% growth in corporate tax and 12.3% in personal income tax.
- » Railways expect investments worth Rs 3,800 crore from the private sector for six port connectivity projects, with the Cabinet approving the participative models of rail connectivity. The approved port projects are Dighi (50 km), Rewas (23.9 km), Jaigarh (35 km), Dhamra (64 km), Astaranga (80 km) and Hazira (47 km).
- » Planning Commission has set a target for the pharmaceutical industry to reach US\$100 billion by 2020. According to the 12th Five Year Plan (2012-17), the objective of the sector will be to cross the US\$60-billion mark in 2017, which will be 5% of the global pharma industry.
- » **Foreign Exchange Reserves** as on 21 December, 2012 stood at US\$296.5 billion, down by US\$0.09 billion from the previous week.
- » At the **Treasury Bills Auctions** held during the week, the YTM for 91-day T-Bills stood at 8.2%.
- » The **Call Money Rates** as on 28 December 2012 traded in the range of 7.1-8.2%.

POLICY DEVELOPMENT

- » As per the draft document for the 12th Five-Year Plan (2012-17), the idea of setting up a trading platform in the form of a secondary market has been mooted in order to improve efficiency of natural resources. Besides, the government could allow spectrum trading among service providers. This is likely to improve spectrum efficiency, boost market competition and provide incentives to innovation to service providers. Additionally, this would enable loss-making telecom companies to sell part of their spectrum to others.
- » Department of Disinvestment has proposed an exchange-traded fund (ETF) of listed public-sector enterprises that would constitute an offering of up to 3% government holding. A 3% dilution in major state-owned firms could make the ETF of about Rs 30,000 crore, the single largest equity fund in the country.



BANKING INDICATORS

			<i>Rs. Billion</i>
Indicators	Outstanding as on 14 December, 2012	% Variation over Fortnight	Year
Total Bank Credit	49,626.5	0.1	16.3
Food Credit	1,086.8	0.8	31.1
Non Food Credit	48,539.7	0.1	16.0
Aggregate Deposit	64,339.3	-0.1	13.3
Broad Money (M3)	79,867.4	0.1	12.9
Credit Deposit Ratio	77.1		

Source: RBI

EQUITY MARKETS

- » **Global share market** fell last week. The market is still affected by the ambiguity over the policy action plan related to the US fiscal cliff.
- » **Indian stocks** gained last week. All BSE indices showed marginal improvement except BSE Metal Index, which remained flat.
- » **Total turnover** during the week on BSE stood at Rs. 8,804 crore and on NSE at Rs. 42,736 crore.

Global Stock Indices	Closing Value as on 28 December, 2012	Weekly Change (%)
NYSE: DJIA	13,096.3	-1.6
FTSE 100	5,925.4	-0.6
Nikkei 225	10,323.0	2.8
Straits Times	3,191.8	0.5
KOSPI	1,987.4	-0.6

Source: Yahoo Finance

Net Institutional Activity

	Equity	Debt
Weekly FII (US\$ Million)	1,053.8	123.5
Year -to-date FII (US\$ Million)	24,207.3	6,546.8
Weekly Mutual Funds [#] (Rs Crore)	-110.9	1,050.7

Source: SEBI

[#]as on 24 December, 2012

Indian Equity Indices	Closing Value as on 28 December, 2012	Weekly Change (%)
BSE SENSEX	19,444.8	1.1
BSE 500	7,572.4	1.1
S&P CNX NIFTY	5,908.4	-0.1
S&P CNX 500	4,738.3	-0.2

Source: NSE, BSE

COMMODITY MARKETS

- » **NYMEX West Texas Intermediate Crude Oil** on 28 December 2012 was US\$90.8 per barrel, up by US\$2.1 per barrel from the previous week.
- » **New York spot price for Gold** was US\$ 1,656.3 per ounce as on 28 December 2012, down by US\$2.6 per ounce from the previous week.

Commodity Spot Indices	Closing Value as on 29 December, 2012	Weekly Change (%)
MCX AGRI	3,333.2	-1.2
MCX METAL	5,147.7	0.2
MCX ENERGY	3,443.4	1.4
MCX COMDEX	3,928.7	0.4

Source: MCX, NCDEX

INDUSTRY NEWS

Tourism

- » Gujarat Government has ambitious plans for tourism during the 12th plan period and is looking forward to investors from India and abroad. The state has identified a range of new spots covering various segments like eco tourism apart from spiritual and coastline tourism which had already been growing fast and has great potential.

Woollen

- » A significant increase in the prices of woollen yarn over the past one year and the slowdown in the European markets have failed to dampen the spirits of Punjab's shawl industry. Against the last year's negative growth of 25%, it is expecting a 10-15% growth this year. Manufacturers, most of them SMEs, are bullish about the domestic market, which contributes 80-85% of the total sales on account of early arrival of winters in many parts of North India and starting of wedding season. The industry's overall revenues are Rs 2,000-2,500 crore and there are 250-300 units, employing more than 100,000 people directly or indirectly.

Power

- » Haryana government to set up 187 new substations and augment capacity of 163 existing substations in next 3 years at a cost of Rs 3,093 crore to strengthen power transmission and distribution system. In last 7.5 years, government constructed 321 new substations, augmented capacity of 552 old substations and erected lines of a length of 4615 kilometre at a cost of Rs 4,044 crore.

BSE Indices	Closing Value as on 28 December, 2012	Weekly Change (%)
AUTO INDEX	11,378.5	1.1
BANKEX	14,330.5	1.3
BSE CAPITAL GOODS	10,904.6	1.6
BSE CONSUMER DURABLE	7,657.9	0.4
BSE FMCG	5,932.1	0.1
BSE HEALTHCARE	8,127.8	0.8
BSE INFOTECH	5,687.0	1.1
BSE MID CAP	7,092.9	1.4
BSE SMALL CAP	7,342.2	0.2
BSE TECK INDEX	3,429.6	1.5
METAL INDEX	11,041.2	0.0
OIL & GAS INDEX	8,510.5	2.0

Source: BSE

CNX Segment Indices	Closing Value as on 28 December, 2012	Weekly Change (%)
CNX NIFTY Junior	12,278.4	-0.3
CNX MIDCAP	8,468.5	0.0
BANK NIFTY	12,458.2	-0.2
CNX IT	6,044.3	0.8
CNX Realty	278.4	-1.9
CNX Infrastructure	2,587.6	-0.1

Source: NSE

GLOBAL NEWS

USA

- » In the week ending December 22, the advance figure for seasonally adjusted initial claims of unemployment benefits were 350,000, a decrease of 12,000 from the previous week's revised figure of 362,000. The 4-week moving average was 356,750 a decrease of 11,250 from the previous week's revised average of 368,000.
- » US government facing fiscal deficit has urged parties to assemble an interim bill to keep taxes from rising on middle income group. Besides, it is seeking to stop tax hike on 98% of populace as well. Additionally, government seeks to extend unemployment insurance for about 2 million Americans

who will lose benefits in January 2013.

Europe

- » Governments throughout the Euro-Zone are making efforts in tapping into pension fund assets as a potential source of financing domestic economic growth.

China

- » China unveiled tighter internet controls recently, legalising the deletion of posts or pages which are deemed to contain “illegal” information and requiring service providers to hand over such information to the authorities for punishment. The new regulations also require internet users to register with their real names when signing up with network providers.

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