CII
Confederation of Indian Industry

Economy Update

WEEKLY NEWSLETTER

30 January-5 February 2012

Dear Reader,

Recent data releases indicate that investment as a share of GDP has moderated to 35.1% in 2010-11 from a peak of 38.1% in 2007-08, with the private sector mostly responsible for this slowdown. Clearly, business sentiment needs to be revived in order for the economy to return to a path of stronger growth and employment generation. Businesses are hoping that the forthcoming Budget will send out some positive signals. In its pre-Budget memorandum, CII has called for several measures such as increasing depreciation rate on plant & machinery, fast-tracking implementation of 100 mega projects, providing boost to investment in infrastructure and simplifying the tax & regulatory compliance.

Chandrajit Banerjee
(Director General, CII)

INDICATORS

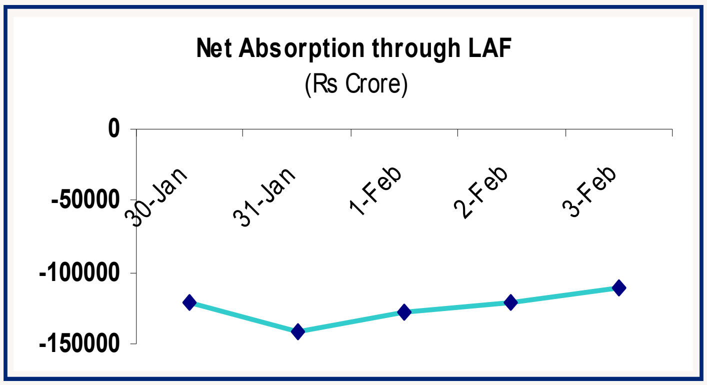
- India's **economic growth** for 2010-11 was revised down to 8.4% from the earlier estimate of 8.5%
- **Gross domestic savings** at current prices in 2010-11 has been estimated at Rs 24.8 lakh crore, which constitutes 32.3% of the country's GDP at market price.
- **Gross Capital formation** has been estimated at Rs 26.9 lakh crore in 2010-11, which constitutes 35.1% of the country's GDP at market price.
- India's **per capita income** grew by 15.6% to Rs 53,331 in 2010-11 as compared to Rs 46,117 in 2009-10.
- India's **fiscal deficit** touched Rs 3,81,000 crore during the first nine months of the current fiscal year. This is 92.3% of the full year's target of Rs 4,12,817 crore.
- **Foreign Exchange Reserves** as on January 27, 2012 stood at US$ 293.3, up by US$ 0.7 billions from the previous week.
- At the **Treasury bills auctions** held during the week, the YTM for 91-day T-Bills stood at 8.8%.
- The call money rates as on 3 February 2012 traded in the range of 7.5-8.8%

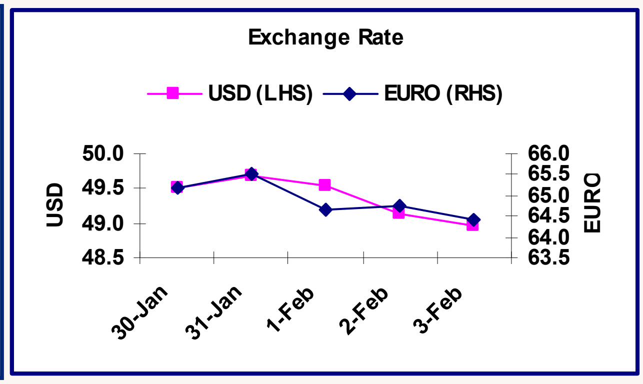
In this issue Market | Global News | Industry News | Policy

POLICY DEVELOPMENT

- The Reserve Bank of India circulates a notification to banks, to exclude stamp duty, registration and like charges while calculating the value of a property they intended to finance.

- The Reserve Bank of India has partially lifted the curbs on banks' foreign exchange transactions imposed after the rupee depreciated.





BANKING INDICATORS

Rs. Billion

Indicators	Outstanding as on 13 January 2012	% Variation over Fortnight	Year
Total Bank Credit	43,544.8	-0.3	17.0
Food Credit	863.9	2.2	35.1
Non Food Credit	42,680.8	-0.3	16.7
Aggregate Deposit	57,987.0	-0.5	17.2
Broad Money (M3)	71,925.7	-0.1	15.8
Credit Deposit Ratio	75.1		

Source: RBI

EQUITY MARKETS

- The rally continued on bourses as improved global sentiment boosted risk appetite of foreign investors .
- US bourses ended in green on a slew of positive economic data. Data showed that the economy created jobs at the fastest pace in 9 months in January and unemployment rate dropped to nearly a 3 year low. Services sector also showed an encouraging trend as the pace of growth in services sector unexpectedly accelerated in January to its highest level in nearly a year.
- Indian markets continued to rise as economic indicators released last week were good. The country's manufacturing sector grew at its fastest pace in eight months in January as factory output surged the most on increased domestic and foreign demand.
- Total turnover during the week on BSE stood at Rs. 16,564 crore and on NSE at Rs. 74,638 crore.

Global Stock Indices	Closing Value as on 3 February 2012	Weekly Change (%)
NYSE: DJIA	12,862.2	1.6
FTSE 100	5,901.1	2.9
Nikkei 225	8,831.9	-0.1
Straits Times	2,918.0	0.1
KOSPI	1,972.3	0.4

Source: Yahoo Finance

Net Institutional Activity	Equity	Debt
Weekly FII (US $ Million)	1,245.6	-46.0
Year -to-date FII (US$ million)	3,024.1	3,169.6
Weekly Mutual Funds# (Rs Crore)	-170.4	2,694.5

Source:SEBI *#as on 2 February, 2012*

Indian Equity Indices	Closing Value on 3 February 2012	Week's % Change
BSE SENSEX	17,605.0	2.2
BSE 500	6,717.5	2.5
S&P CNX NIFTY	5,325.9	2.3
S&P CNX 500	4,188.5	2.5

Source: NSE, BSE

COMMODITY MARKETS

- NYMEX West Texas Intermediate Crude Oil for March delivery stood at US$ 97.8 per barrel on 3 February 2012, down by US$ 1.8 per barrel from the previous week.
- New York spot price for Gold was US$ 1,738.0 per ounce as on 3 February 2012, up by US$ 5.8 per ounce from the previous week.

Commodity Spot Indices	Closing Value as on 4 February 2012	Week's % Change
MCX AGRI	3,259.4	0.4
MCX METAL	4,861.9	2.0
MCX ENERGY	3,146.1	-4.5
MCX COMDEX	3,691.2	-2.3

Source: MCX, NCDEX

INDUSTRY NEWS

Coal

- Thwarted by domestic coal shortage and policy hurdles, Tata Power has charted out a new investment plan under which nearly half of the company's proposed generation capacity of 25,000 MW by 2020 will be outside India.

Energy

- The Government will finalize new royalty rates for major minerals other than coal, lignite and sand by August this year, which will boost its revenue significantly.

Telecom

- 122 2G licenses issued to nine telecom operators by the UPA Governmnet in January 2008 have been cancelled by the Indian Supreme Court.
- Swan Telecom, Unitech Wireless and Tatas have to deposit Rs five crore each as penalty, while Loop Telecom and Shyam Sistem have to deposit a penalty of Rs 50 lakh. Their licenses are valid for four more months, and the Telecom regulator TRAI will have to suggest a means by which these players will either be able to exit through mergers and/or acquisition, or pay an additional fee to retain licenses

BSE Indices	Closing Value on 3 February 2012	Week's % Change
AUTO INDEX	9,523.2	3.5
BANKEX	11,643.8	3.2
BSE CAPITAL GOODS	10,259.6	-1.0
BSE CONSUMER DURABLE	5,832.4	-2.8
BSE FMCG	4,120.8	1.4
BSE HEALTHCARE	6,411.7	2.4
BSE INFOTECH	5,912.4	3.3
BSE MID CAP	6,046.1	3.0
BSE SMALL CAP	6,686.6	3.0
BSE TECK INDEX	3,569.3	3.0
METAL INDEX	11,875.0	2.6
OIL & GAS INDEX	8,689.2	1.7

Source: BSE

CNX Segment Indices	Closing Value on 3 February 2012	Week's % Change
CNX NIFTY Junior	10,035.9	2.3
CNX MIDCAP	7,324.2	3.3
BANK NIFTY	10,133.7	3.3
CNX IT	6,340.0	3.3
CNX Realty	240.5	4.4
CNX Infrastructure	2,628.6	1.1

Source: NSE

GLOBAL NEWS

USA

- In the week ending 28 January, the advance figure for seasonally adjusted initial claims was 367,000, a decrease of 12,000 from the previous week's revised figure of 379,000.
- Non-farm payroll employment rose by 243,000 in January, and the unemployment rate decreased to 8.3%
- Personal income increased by US$ 61.3 billion or 0.5%, and disposable personal income increased US$ 47.1 billion or 0.4%, in December. Personal Consumption expenditure decreased by US$ 2.0 billion or less than o.1%.

Europe

- The Euro Area seasonally adjusted unemployment rate was 10.4% in December 2011, unchanged compared with November. It was 10.0% in December 2010. The EU 27 unemployment rate was 9.9% in December 2011, also unchanged compared with November.
- In December 2011, compared with November 2011, the industrial producer price index fell by 0.2% in both the euro area and the EU 27. In November prices increased by 0.2% and 0.4% respectively.
- In December 2011, compared with November 2011, the volume of retail trade fell by 0.4% in the Euro Area, while it rose by 0.3% in the EU 27. In November retail trade decreased by 0.4% and 0.2% respectively

CII Economy Update is a weekly report prepared by the **CII Economic Research Group.** Reach us at: **ecopolicy@cii.in**

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