

# Economy Update



» WEEKLY NEWSLETTER

» 5-11 March 2012

## Dear Reader,

The 75 basis point reduction in CRR announced by the RBI on Friday evening came as a positive surprise. As the RBI has been defending the rupee in the foreign exchange market, it has drained liquidity from the rupee market resulting in rising inter bank rates. The reduction in CRR will help restore some of that liquidity and enables banks to increase their lending. However, for credit demand to pick up from the currently low level, the RBI should start reducing the repo rate soon. Some announcement in the March 15 review would be welcome.

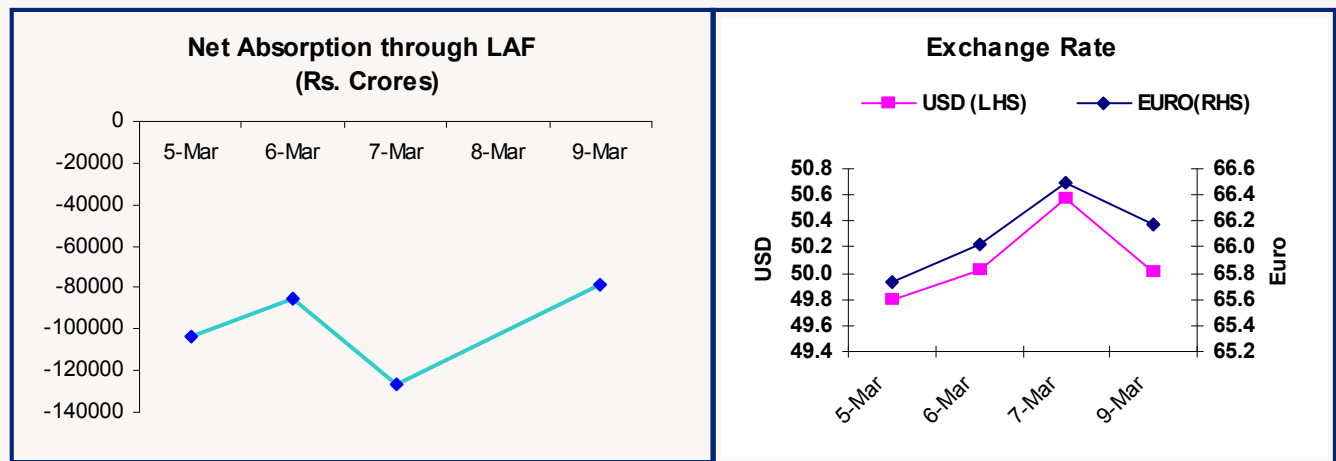
Chandrajit Banerjee  
(Director General, CII)

## INDICATORS

- » **The Index of Industrial Production** for January 2012 grew by 6.8%, fastest pace in 7 months, led by manufacturing, which grew by 8.5% . In January 2011 IIP stood at 7.5%.
- » **Foreign Direct Investment (FDI)** in India went up by 31% to US\$ 27.5 billion in 2011, notwithstanding uncertain economic environment globally. FDI inflows in 2010 totaled US\$ 21 billion. The sectors that attracted maximum FDI last year include services (financial and non-financial), telecom, housing and real estate , construction and power.
- » India's **exports** for the months of April 2011-February 2012 have registered a growth of 21.4%, at US\$ 267.4 billion. During the same period the **imports** were US\$ 434.2 billion with a growth of 29.4% and trade deficit stood at US\$ 166.8 billion.
- » **Foreign Exchange Reserves** as on March 2, 2012 stood at US\$ 295.0 billion, increasing by US\$ 0.06 billion from the previous week.
- » The **call money rates** as on March 9, 2012 traded in the range of 7.5-8.95%.
- » At the **Treasury bills auctions** held during the week, the YTM for 91-day T-Bills stood at 9.1%.

## POLICY DEVELOPMENT

- » The Reserve Bank of India reduced the Cash Reserve ratio (CRR) of scheduled banks by 75 basis points from 5.5% to 4.75% of their net demand and time liabilities (NDTL) . This reduction will inject around Rs 480 billion liquidity into the banking system.
- » Under immense political pressure, the Government lifted the ban on cotton exports within days of imposing it to augment domestic supplies.
- » With air traffic growing, the government said it would set up a Civil Aviation Authority to make air travel safe and secure and take steps to modernize more airports and air traffic management services.



## BANKING INDICATORS

			Rs. Crore
Indicators	Outstanding as on 24 February,2012	% Variation over Fortnight	Year
Total Bank Credit	44,075.2	0.6	15.6
Food Credit	832.1	2.0	27.4
Non Food Credit	43,243.1	0.5	15.5
Aggregate Deposit	58,154.7	0.3	14.3
Broad Money (M3)	72,262.7	0.2	13.5
Credit Deposit Ratio	75.8		

Source: RBI

## EQUITY MARKETS

- » Despite a technical default by Greece, which was confirmed after the International Swaps and Derivatives Associations (ISDA) said the nation had triggered an insurance payment on credit default contracts, the US bourses was not destabilized by the most feared event in recent times and instead took comfort in better than expected non-farm payrolls report.
- » This was a positive signal for the markets as it reinforced the view that the US economy is picking up steam despite turmoil in the eurozone.
- » The Indian markets, which ended lower for the third consecutive week, are now headed for a critical week, with important events, which include review of monetary policy meeting of the RBI, Indian Economic Survey, rail budget and the Union budget.
- » Total turnover during the week on BSE stood at Rs. 14,771 crore and on NSE at Rs. 64,581 crore.

Global Stock Indices	Closing Value as on 9 March 2012	Weekly Change (%)
NYSE: DJIA	12,922.0	-0.4
FTSE 100	5,887.5	-0.4
Nikkei 225	9,929.7	1.6
Straits Times	2,963.2	-1.0
KOSPI	2,034.6	0.7

Source: Yahoo Finance

Net Institutional Activity		
	Equity	Debt
Weekly FII (US \$ Million)	68.6	-394.1
Year -to-date FII (US\$ million)	7,422.5	4,801.7
Weekly Mutual Funds# (Rs Crore)	-299.3	17,112.8

Source: SEBI #as on 7 March, 2012

Indian Equity Indices	Closing Value on 9 March 2012	Week's % Change
BSE SENSEX	17,503.2	-0.8
BSE 500	6,793.5	-0.5
S&P CNX NIFTY	5,333.6	-0.5
S&P CNX 500	4,238.9	-0.4

Source: NSE, BSE

## COMMODITY MARKETS

- » NYMEX West Texas Intermediate Crude Oil for April delivery stood at US\$ 107.4 per barrel on 9 March 2012, up by US\$ 0.7 per barrel from the previous week.
- » New York spot price for Gold was US\$ 1,711.5 per ounce as on 9 March 2012, up by US\$ 1.8 per ounce from the previous week.

Commodity Spot Indices	Closing Value as on 10 March 2012	Week's % Change
MCX AGRI	3,632.5	3.9
MCX METAL	4,885.6	-1.0
MCX ENERGY	3,440.5	-0.9
MCX COMDEX	3,884.5	-0.1

Source: MCX, NCDEX

## INDUSTRY NEWS

### Banking

- » The country's largest lender State Bank of India (SBI) would explore the possibility of raising capital through a public offer or from institutional investors next fiscal even as it is getting Rs 7,900 crore.

### IT

- » Healthcare regulatory reform in America might prove another Y2K opportunity for the Indian information technology. Analysts estimate the US' healthcare market at US\$ 2.5 trillion and projected to grow to US\$ 4.6 trillion by 2020. The outsourcing opportunity is expected to be around US\$ 24 billion, including both payer and providers, over the next 4 to 5 years.

### Automobile

- » Car sales in India rose by 13.1% in February, with automakers posting a fourth straight monthly increase as they continue to recover from record declines in late 2011.
- » Total two-wheelers sales increased 12.0% to 11,44,500 units last month from 10,22,226 units in February 2011.
- » Total sales of commercial vehicles jumped 18.7% to 76,891 units from 64,775 units in the previous year.
- » Total sales of vehicles across categories registered a growth of 12.0% to 15,33,474 units in February 2012, as against 13,68,370 units in the same month of 2011.

BSE Indices	Closing Value on 9 March 2012	Week's % Change
AUTO INDEX	10,019.3	1.6
BANKEX	12,086.5	0.5
BSE CAPITAL GOODS	10,188.9	-1.1
BSE CONSUMER DURABLE	6,632.7	1.8
BSE FMCG	4,164.5	0.9
BSE HEALTHCARE	6,444.4	0.6
BSE INFOTECH	6,132.4	0.2
BSE MID CAP	6,330.2	-0.5
BSE SMALL CAP	6,749.2	-1.5
BSE TECK INDEX	3,599.0	-0.3
METAL INDEX	11,499.7	-3.9
OIL & GAS INDEX	8,335.5	-3.2

Source: BSE

CNX Segment Indices	Closing Value on 9 March 2012	Week's % Change
CNX NIFTY Junior	10,364.6	-0.1
CNX MIDCAP	7,689.5	0.5
BANK NIFTY	10,505.7	0.7
CNX IT	6,558.5	0.4
CNX Realty	246.5	-0.9
CNX Infrastructure	2,573.1	-1.7

Source: NSE

## GLOBAL NEWS

### USA

- » In the week ending 3 March, the advance figure for seasonally adjusted initial claims was 362,000, an increase of 8,000 from the previous week's revised figure of 354,000.
- » US total exports for January 2012 stood at US\$ 180.8 billion and imports stood at US\$ 233.4 billion, which resulted in goods and services deficit of US\$ 52.6 billion, up from US\$ 50.4 billion in December. January exports were US\$ 2.6 billion more than December exports of US\$ 178.2 billion. January imports were US\$ 4.7 billion more than December imports of US\$ 228.7 billion.
- » Non-farm payroll employment rose by 227,000 in February, and the unemployment rate was unchanged at 8.3%.

### Europe

- » GDP decreased by 0.3% in both the euro area and the EU27 during the fourth quarter

of 2011, compared with the previous quarter. In the third quarter of 2011, growth rates were 0.1% in the euro area and 0.3% in the EU 27.

- » In January 2012 compared with December 2011, the volume of retail trade grew by 0.3% in the Euro area and by 0.4% in the EU27. In December retail trade decreased by 0.5% and 0.2% respectively.

### Asia

- » China has the largest trade deficit since 1989 in February 2012 as Europe's sovereign debt turmoil damped exports. The shortfall was US\$ 31.5 billion. Imports rose 39.6% from a year earlier, after a 15.3% fall in January, while exports increased 18.4%.
- » According to a report by the Labor Market Research Centre of the Beijing Normal University, poor employment quality in China is a major reason for the poor quality of economic growth..

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