



Confederation of Indian Industry

Economy Update



» WEEKLY NEWSLETTER

» 5-11 November 2012

Dear Reader

The September IIP figures corroborates the apprehension that CII has been pointing to – that industrial slowdown has not bottomed out. The sharp fall in manufacturing is of particular concern. A tight monetary environment has been putting pressure on demand which has been manifest for some time now. While fully appreciating the imperative of anchoring inflation, it is CII's view that the RBI now needs to intervene and reduce interest rates since a complete sacrifice of growth is not in the interest of the economy. Demand creation has to be the priority for the Government and RBI. The RBI would do well to reduce repo rate by 50 bps and CRR by another 50 bps.

Chandrajit Banerjee
(Director-General, CII)

INDICATORS

- » The **index of industrial production (IIP)** growth for the month of September 2012 at -0.4% as against 2.5% in the same period last year clearly points out that the industrial slowdown has not bottomed out. What is of major concern is the steep fall in manufacturing production which has entered the negative territory due to faltering investments and stagnating demand.
- » **Exports** contracted by 1.6% in October 2012 while **imports** grew by 7.3%. With this the trade balance for the month widened to US\$21 billion. Oil imports grew while non-oil imports growth contracted during the month.
- » All-India general **CPI** (combined) for October 2012 stood at 9.75% as compared to 9.73% for the previous month. The corresponding provisional inflation rates for rural and urban areas for October 2012 stood at 9.98% and 9.46% respectively.
- » **Gross tax collections** during April-October of the financial year 2012-13 was up by 6.6% and stood at Rs 3,02,810 crore as against Rs 2,84,081 crore in the same period last year. Net direct tax collections was up by 14.6% and stood at Rs 2,50,866 crore, as compared to Rs 2,18,850 crore in the same period in the last fiscal.
- » **Foreign Exchange Reserves** as on 02 November 2012 stood at US\$294.3 billion, down by US\$1 billion from the previous week.
- » At the **Treasury Bills Auctions** held during the week, the YTM for 91-day T-Bills stood at 8.0%.
- » The **Call Money Rates** as on 09 November 2012 traded in the range of 7.0-8.1%.

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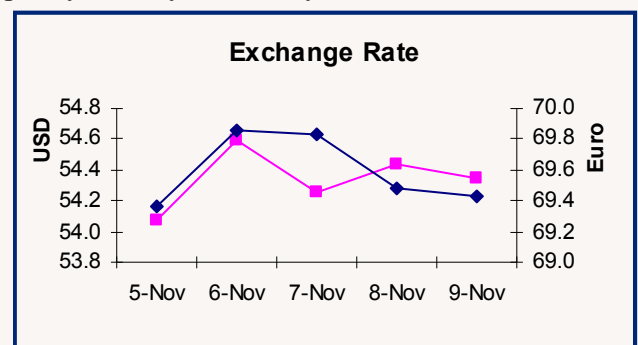
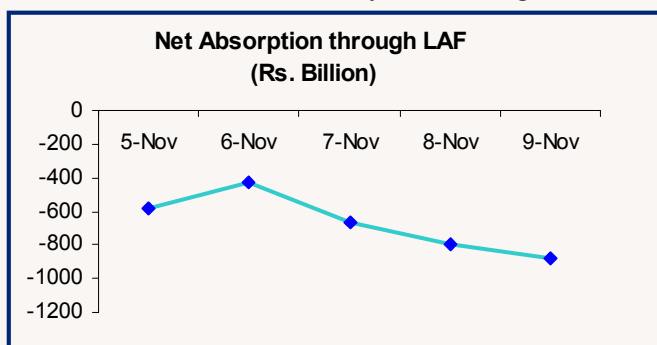
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POLICY DEVELOPMENTS

- » Government is considering putting in place an internal information security policy to reduce the risk of leaks and counter possible cyber-attacks. The policy will include new guidelines on top of the standards set out by the Official Secrets Act, 1923, and mandate safeguards for each category of information on how it should be transmitted, stored and preserved.
- » The government is likely to raise as much as Rs 30,000 crore by imposing one-time license fee on telecom operators— a decision that was taken by an empowered group of ministers (EGoM) on spectrum. The price of the spectrum would be determined based on the price discovery in the 1800 MHz spectrum auction that is scheduled to begin this week.
- » Cabinet approved on November 8, 2012 a plan to levy a US\$5.7 billion surcharge on airwaves held by long-established telecommunications operators that will hit market leaders Airtel and Vodafone the most.
- » RBI indicated that it may start easing the monetary policy as early as January 2013.



BANKING INDICATORS

Indicators	Rs. Billion		
	Outstanding as on 26 October, 2012	% Variation over Fortnight	Year
Total Bank Credit	48,229.3	-1.3	16.0
Food Credit	987.2	3.6	36.3
Non Food Credit	47,242.1	0.1	15.8
Aggregate Deposit	63,973.3	-1.6	13.4
Broad Money (M3) *	73,592.0	-0.1	13.1
Credit Deposit Ratio	75.4		

Source: RBI Note: * as on October 19, 2012

EQUITY MARKETS

» **Global share market** traded lower last week due to concerns surrounding the US fiscal cliff coupled with worries over Euro zone debt crisis.

» **Indian stocks** also traded lower last week amidst negative cues from global equity markets.

» **Total turnover** during the week on BSE stood at Rs. 11,383 crore and on NSE at Rs. 48,693 crore.

Global Stock Indices	Closing Value as on 09 November, 2012	Weekly Change (%)
NYSE: DJIA	12811.3	-2.2
FTSE 100	5769.7	-1.7
Nikkei 225	8757.6	-3.2
Straits Times	3009.6	-1.0
KOSPI	1904.4	-0.7

Source: Yahoo Finance

Net Institutional Activity

	Equity	Debt
Weekly FII (US\$ Million)	458.5	160.3
Year -to-date FII (US\$ Million)	18,620	6354
Weekly Mutual Funds [#] (Rs Crore)	-379	4274

Source: SEBI

[#]as on 09 November, 2012

Indian Equity Indices	Closing Value as on 09 November, 2012	Weekly Change (%)
BSE SENSEX	18683.7	-0.4
BSE 500	7218.3	0.0
S&P CNX NIFTY	5686.3	-0.2
S&P CNX 500	4508.8	0.0

Source: NSE, BSE

COMMODITY MARKETS

» **NYMEX West Texas Intermediate Crude Oil** on 09 November 2012 was US\$84.79 per barrel, declining from last week's level.

» **New York spot price for Gold** was US\$ 1,730 per ounce as on 09 November 2012, moving above the 1700-level after slipping below it last week.

Commodity Spot Indices	Closing Value as on 09 November, 2012	Weekly Change (%)
MCX AGRI	2183.9	-1.0
MCX METAL	5212.0	3.2
MCX ENERGY	3326.8	1.9
MCX COMDEX	3704.2	2.3

Source: MCX

INDUSTRY/SECTOR NEWS

Telecommunications

» The number of telephone subscribers in India decreased to 937.70 million at the end of September 2012, from 939.57 million at the end of August 2012, thereby registering a growth of -0.2%. With this, the overall tele-density in India reached 77.04 at the end of September 2012 from 77.28 of the previous month.

Food & Public Distribution

» Over 100 lakh tonne rice has been procured by the Government agencies during the ongoing Kharif marketing season 2012-13. As per the data made available by the Ministry, total 100,73,415 lakh tons of rice has been procured till November 8, 2012 during the season.

Finance

» The cabinet committee on Economic Affairs has approved to divest 10% equity in Hindustan Aeronautics Limited (HAL) out of its holding of 100% through an Initial Public Offer (IPO) in the domestic market as per the SEBI rules and regulations. The paid up capital of the company, as on 31st March 2012 is Rs 120.50 crore. Currently, the company is unlisted.

BSE Indices	Closing Value as on 09 November, 2012	Weekly Change (%)
AUTO INDEX	10718.1	0.3
BANKEX	13186.9	0.2
BSE CAPITAL GOODS	10869.0	-2.2
BSE CONSUMER DURABLE	7356.5	-0.3
BSE FMCG	5785.3	1.8
BSE HEALTHCARE	7752.8	0.5
BSE INFOTECH	5756.3	-0.7
BSE MID CAP	6660.7	0.2
BSE SMALL CAP	7069.7	0.1
BSE TECK INDEX	3352.7	-0.4
METAL INDEX	10134.4	-1.8
OIL & GAS INDEX	8185.9	-2.2

Source: BSE

CNX Segment Indices	Closing Value as on 09 November, 2012	Weekly Change (%)
CNX NIFTY Junior	11158.9	0.7
CNX MIDCAP	7890.2	0.2
BANK NIFTY	11475.6	0.1
CNX IT	6110.5	-0.9
CNX Realty	252.2	5.3
CNX Infrastructure	2507.1	-1.3

Source: NSE

GLOBAL NEWS

USA

» Barack Obama was re-elected as the US President. Meanwhile, Democrats are set to retain their slight majority in the Senate while the Republicans are set to retain their majority in the House of Representatives. Obama re-election implies that the working of the US Federal Reserve would remain stable at the hands of current chairman Bernanke. However, on the other hand, re-election of Obama also implies that policy focus remains on redistributive policies, with Democrats favoring slightly higher taxes for higher income groups.

Europe

» The European Central Bank (ECB) held its

main interest rate unchanged at a record low of 0.75% in its latest meeting. The status quo on the policy front reflects ECB's dilemma regarding uneven monetary transmission across Euro zone. Bank of England (BoE) also kept its policy rate unchanged at 0.5%, while the quantum of asset purchases was also retained at GBP 375 billion.

Japan

» Japan's economy contracted by 3.5% (on an annualised basis) in the third-quarter of 2012. On a quarter-on-quarter basis, however the GDP contracted by 0.9%. This was the economy's worst performance since the earthquake disaster.

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