

# Economy Update



» WEEKLY NEWSLETTER

» 6-12 February 2012

## Dear Reader,

The dip in industrial growth in December 2011 continues to reflect the weakness in investment demand that we have highlighted earlier. This reinforces the need for measures to accelerate the implementation of large projects. Such measures are necessary to shore up the investment-GDP ratio which has been slipping over the past three years. The RBI also needs to move quickly from its pause on interest rate increases to a policy of cutting rates to encourage investments. It is heartening to note that the consumer goods sector has performed well, probably reflecting the moderation in food inflation.

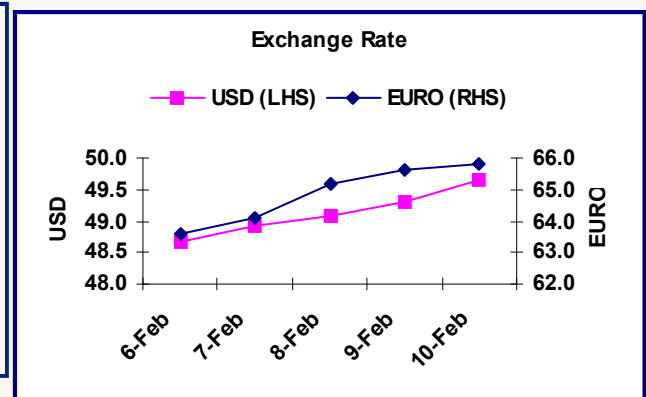
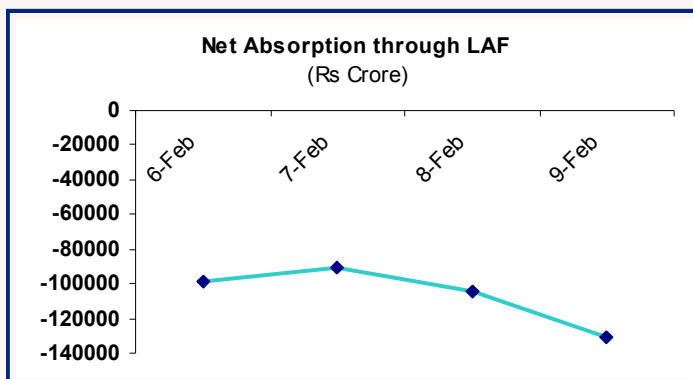
Chandrajit Banerjee  
(Director General, CII)

## INDICATORS

- » India's **Index of Industrial production** for December 2011 stood at 1.8% as compared to 8.1% recorded in the previous year. For April-December 2011, IIP stood at 3.6% as compared to 8.3% in the corresponding period of 2010.
- » The **Mining** sector recorded a decline of 3.7% in December 2011 as compared to 5.9% growth in December 2010. **Manufacturing** sector moderated to 1.8% as compared to 8.7% in December 2010. **Electricity**, on the other hand, recorded a growth of 9.1% in December 2011 as compared to 5.9% in December 2010.
- » The **Capital goods sector** declined by 16.5% in December 2011 in comparison to a robust growth of 20.2% in December 2010, while **intermediate goods sector** declined by 2.8% as compared to 8.1% in the previous year. **Basic goods sector** moderated from 7.8% to 4.0% in the specified period while **consumer durables** moderated from 7.8% in December 2010 to 5.3% in December 2011. **Consumer non-durables** grew by 13.4% in December 2011 as compared to 0.6% growth a year ago.
- » **Foreign Exchange Reserves** as on February, 2012 stood at US\$ 293.8, down by US\$ 0.2 billions from the previous week.
- » At the **Treasury bills auctions** held during the week, the YTM for 91-day T-Bills stood at 8.9%.

## POLICY DEVELOPMENT

- » The Government plans to put its derailed disinvestment drive back on track this week with a likely sale of 5% stake sale in Oil and Natural Gas Corp (ONGC) to raise Rs 12,000 crore through an auction on the stock exchange.
- » The World Bank has offered India Rs 480 crore to boost the country's plan to train 150 million skilled workers by 2022. Proposed to be granted under the National Skill Development Fund (NSDF), this is under consideration of the Planning Commission



## BANKING INDICATORS

			<i>Rs. Billion</i>
Indicators	Outstanding as on 27 January 2012	% Variation over Fortnight	Year
Total Bank Credit	43,513.3	-0.1	16.4
Food Credit	830.9	-3.8	35.8
Non Food Credit	42,682.4	0.0	16.2
Aggregate Deposit	57,681.0	-0.5	15.7
Broad Money (M3)	71,594.7	-0.5	14.4
Credit Deposit Ratio	75.4		

Source: RBI

## EQUITY MARKETS

- » Political uncertainties in Athens kept global bourses

in the red.

- » Indian markets showed marginal growth after data

showed that the country's output in December

slowed sharply and Morgan Stanley cut its

allocation for emerging markets.

- » Total turnover during the week on BSE stood at

Rs. 16,534 crore and on NSE at Rs. 75,711 crore.

Global Stock Indices	Closing Value as on 10 February 2012	Weekly Change (%)
NYSE: DJIA	12,801.2	-0.5
FTSE 100	5,852.4	-0.8
Nikkei 225	8,947.2	1.3
Straits Times	2,960.0	1.4
KOSPI	1,993.7	1.1

Source: Yahoo Finance

### Net Institutional Activity

	Equity	Debt
Weekly FII (US \$ Million)	953.4	-66.3
Year -to-date FII (US\$ million)	3,977.5	3,103.3
Weekly Mutual Funds# (Rs Crore)	-543.0	2,850.0

Source: SEBI

#as on 9 February, 2012

Indian Equity Indices	Closing Value on 10 February 2012	Week's % Change
BSE SENSEX	17,748.7	0.8
BSE 500	6,825.2	1.6
S&P CNX NIFTY	5,412.4	1.6
S&P CNX 500	4,272.4	2.0

Source: NSE, BSE

## COMMODITY MARKETS

- » NYMEX West Texas Intermediate Crude Oil for March delivery stood at US\$ 98.7 per barrel on 10 February 2012, down by US\$ 0.9 per barrel from the previous week.

- » New York spot price for Gold was US\$ 1,726.9 per ounce as on 10 February 2012, down by US\$ 11.1 per ounce from the previous week.

Commodity Spot Indices	Closing Value as on 11 February 2012	Week's % Change
MCX AGRI	3,372.5	3.5
MCX METAL	4,918.5	1.2
MCX ENERGY	3,207.9	2.0
MCX COMDEX	3,758.2	1.8

Source: MCX, NCDEX

## SECTOR/INDUSTRY NEWS

### Auto

- » In January 2012 Passenger Vehicles growth in domestic sales slowed down to 3.4% as compared to a robust 26.3% growth in the corresponding period of the previous year.
- » Domestic sales of commercial vehicles, three wheelers and two wheelers registered a growth of 13.5%, -3.5% and 13.6% respectively in January.

Domestic sales of automobiles in January 2012 grew by 12.2% as compared to 18.7% recorded in January 2011. Production increased by 11.2% as compared to 19.9% in the previous year.

### Hospitality

- » According to a CII survey conducted amongst 20 CEO's and Managing Directors of Indian hotel chains, 90% of respondents expect a slowdown in the domestic sector in the short term (two years). 82% see firms in the domestic sector performing better than their global peers in the long term (five years). 83% sense a high growth potential in business travel. 56% indicate meetings, incentives, conventions and exhibitions (MICE) segment as a high growth area. 88% expect mid-market and budget segments to attract the maximum investments in near future.

BSE Indices	Closing Value on 10 February 2012	Week's % Change
AUTO INDEX	9,713.4	2.0
BANKEX	11,986.9	2.9
BSE CAPITAL GOODS	10,293.5	0.3
BSE CONSUMER DURABLE	6,168.8	5.8
BSE FMCG	4,130.9	0.2
BSE HEALTHCARE	6,347.1	-1.0
BSE INFOTECH	6,050.2	2.3
BSE MID CAP	6,246.6	3.3
BSE SMALL CAP	6,890.9	3.1
BSE TECK INDEX	3,581.0	0.3
METAL INDEX	12,364.4	4.1
OIL & GAS INDEX	8,770.7	0.9

Source: BSE

CNX Segment Indices	Closing Value on 10 February 2012	Week's % Change
CNX NIFTY Junior	10,357.4	3.2
CNX MIDCAP	7,537.3	2.9
BANK NIFTY	10,442.7	3.0
CNX IT	6,484.4	2.3
CNX Realty	254.4	5.8
CNX Infrastructure	2,589.5	-1.5

Source: NSE

## GLOBAL NEWS

### USA

- » In the week ending 4 February, the advance figure for seasonally adjusted initial claims was 358,000, a decrease of 15,000 from the previous week's revised figure of 373,000.
- » The Thomson Reuters/University of Michigan preliminary index of consumer sentiment for February dropped to 72.5 from 75 in January.

### Europe

- » At the end of the third quarter of 2011, the government debt to GDP ratio in the Euro Area stood at 87.4%, down compared with 87.7% at the end of the second quarter of

2011. In the EU27 the ratio increased from 81.7% to 82.2%.

- » Greek Prime Minister Lucas Papademos won parliamentary approval for austerity measures to secure an international bailout. A total of 199 lawmakers voted in favor and 74 against.

### Asia

- » Japan's economy shrank an annualized 2.3% in the fourth quarter, following a revised 7% expansion in the previous quarter.

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