

Economy Update



» WEEKLY NEWSLETTER

» 10-16 December 2012

Dear Reader

The deceleration of WPI-inflation to 9-month low of 7.2% in November 2012 was underpinned by a sharp softening in the non-food manufacturing inflation. High food inflation manifests the current supply-demand mis-match and hence remains outside the purview of the monetary policy. CII, therefore, feels that RBI should cut interest rates in its policy meeting scheduled for tomorrow. Additionally, we also expect the RBI to cut the cash reserve ratio (CRR) by at least 50 bps as the liquidity deficit in the financial system has increased quite sharply in the last few weeks.

Chandrajit Banerjee

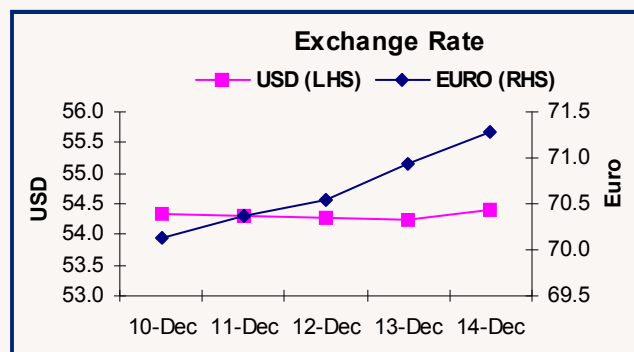
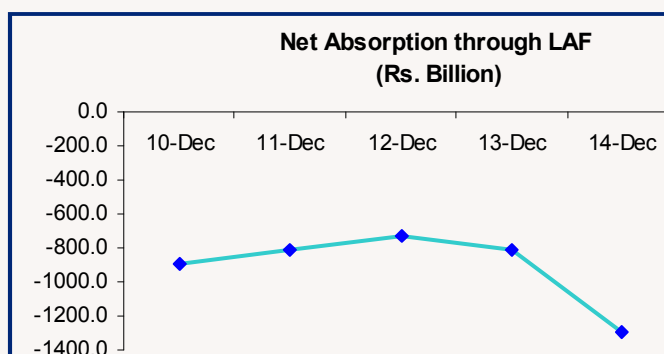
(Director-General, CII)

INDICATORS

- » **Wholesale price based inflation (WPI)** moderated to a 9-month low of 7.2% in November 2012 as compared to 7.5% in the previous month on account of deceleration in fuel and manufacturing inflation. Primary articles inflation jumped to 9.4% in November 2012 from 8.2% in the previous month due to rise in both its food and non-food component. Fuel inflation decelerated to 10.0% in November 2012 on account of lower prices in naphtha, light diesel oil, petrol & ATF. Inflation in manufacturing category softened to 5.4% in November 2012, against 5.9% in the previous month due to decline in its non-food component to 4.5% from 5.2% in the previous month.
- » **Index of industrial production (IIP)** growth accelerated to 8.2% in October 2012 (highest in 16 months) from -0.7% in the previous month mainly on account of low base effect of last year and pre-festival sales impact. Manufacturing output grew by 9.6% in October 2012 after declining by 1.5% in the previous month. Electricity sector growth jumped to 5.5% in October 2012 as compared to 3.9% in the previous month.
- » **Foreign Exchange Reserves** as on 7 December, 2012 stood at US\$295.0 billion, up by US\$0.5 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 7 December 2012 traded in the range of 6.5-8.05%.

POLICY DEVELOPMENT

- » The new Banking Bill has a few new clauses, including one on allowing banks to enter into futures trading. This would allow banks to put money in speculative trading. Banks can trade in shares, bonds and currencies, but Section 8 of the Banking Regulation Act prohibits them from trading in goods. The other two new clauses were related to the term of the board of directors and bringing bank mergers under the purview of the Competition Commission of India instead of the RBI.
- » Debt Recovery Act has been passed by Lok Sabha. This is expected to make easier recovery of bad loans by banks.
- » The National Pharmaceutical Pricing Policy, 2012, recently notified by the government, has linked the permitted annual increase in prices of 348 essential medicines to the wholesale price index (WPI).



BANKING INDICATORS

Indicators	Rs. Billion		
	Outstanding as on 30 November, 2012	% Variation over Fortnight	Year
Total Bank Credit	49,590.6	1.3	17.0
Food Credit	1,077.9	-0.4	31.7
Non Food Credit	48,512.8	1.4	16.8
Aggregate Deposit	64,428.4	0.5	12.8
Broad Money (M3)	79,791.6	0.2	12.5
Credit Deposit Ratio	77.0		

Source: RBI

EQUITY MARKETS

- » **Global share market** gained last due to improvement in US and Chinese official Manufacturing PMI for December 2012. Plus, granting of aid by Euro Zone to Greece has send positive signals.
- » **Indian stocks** plunged marginally last week. Most of the BSE indices have seen a dip.
- » **Total turnover** during the week on BSE stood at Rs. 10,563 crore and on NSE at Rs. 53,101 crore.

Global Stock Indices	Closing Value as on 14 December, 2012	Weekly Change (%)
NYSE: DJIA	13,170.7	0.7
FTSE 100	5,921.8	0.1
Nikkei 225	9,737.6	2.2
Straits Times	3,168.4	2.0
KOSPI	1,995.0	1.9

Source: Yahoo Finance

Net Institutional Activity

	Equity	Debt
Weekly FII (US\$ Million)	1,313.9	454.6
Year -to-date FII (US\$ Million)	22,221.0	6,394.4
Weekly Mutual Funds [#] (Rs Crore)	-760.1	5,524.3

Source: SEBI

[#]as on 13 December, 2012

Indian Equity Indices	Closing Value as on 14 December, 2012	Weekly Change (%)
BSE SENSEX	19,317.3	-0.6
BSE 500	7,512.0	-0.5
S&P CNX NIFTY	5,879.6	-0.5
S&P CNX 500	4,698.8	-0.5

Source: NSE, BSE

COMMODITY MARKETS

- » **NYMEX West Texas Intermediate Crude Oil** on 14 December 2012 was US\$86.7 per barrel, up by US\$0.8 per barrel from the previous week.
- » **New York spot price for Gold** was US\$ 1,695.1 per ounce as on 14 December 2012, down by US\$8.0 per ounce from the previous week.

Commodity Spot Indices	Closing Value as on 15 December, 2012	Weekly Change (%)
MCX AGRI	3,365.6	-0.7
MCX METAL	5,273.5	0.6
MCX ENERGY	3,238.7	-1.2
MCX COMDEX	3,904.7	-0.2

Source: MCX, NCDEX

INDUSTRY NEWS

Ports

- » Of the four Central Sector Infrastructure Projects in the field of ports and shipping in Gujarat, none has made progress so far, resulting in the cost overrun to a total of more than Rs 230 crore according to Central government. The original cost of these four port sector projects put together was close to Rs 2700 crore, which has increased due to delay in implementation.

Automotive

- » According to SIAM, sales of passenger car declined by 8.3% to 158,257 units in November 2012, steepest drop since August this year. Overall passenger vehicles has grown by just 4.0% while commercial vehicles have seen a dip of 7.3%. There has been significant increase in the sales of three wheeler of nearly 21.0% in November 2012 as these are economical in the environment of increase in oil prices and high interest rate.

Tractor

- » After registering modest growth of 2.8% during Q1 FY13, growth in the Indian tractor industry slid into negative territory (about -11.0%) during the Q2 on a year-on-year basis, according to industry source. It is being highlighted that deficient and delayed monsoons have had a significant impact on industry volume growth. Last fiscal year this industry had clocked a moderate growth rate of 11.5% and sold a total of 6,00,000 units.

BSE Indices	Closing Value as on 14 December, 2012	Weekly Change (%)
AUTO INDEX	11,162.4	2.1
BANKEX	14,264.8	0.6
BSE CAPITAL GOODS	10,948.6	-2.6
BSE CONSUMER DURABLE	7,765.7	-4.7
BSE FMCG	5,975.6	-1.5
BSE HEALTHCARE	7,982.3	0.1
BSE INFOTECH	5,590.1	-1.0
BSE MID CAP	6,999.1	-1.0
BSE SMALL CAP	7,353.7	-1.2
BSE TECK INDEX	3,365.0	-1.3
METAL INDEX	10,569.9	0.0
OIL & GAS INDEX	8,443.5	-0.8

Source: BSE

CNX Segment Indices	Closing Value as on 14 December, 2012	Weekly Change (%)
CNX NIFTY Junior	11,977.2	-0.2
CNX MIDCAP	8,361.8	-0.2
BANK NIFTY	12,424.7	0.5
CNX IT	5,947.8	-1.0
CNX Realty	274.8	-2.1
CNX Infrastructure	2,579.4	-2.8

Source: NSE

GLOBAL NEWS

USA

- » In the week ending December 8, the advance figure for seasonally adjusted initial claims of unemployment benefits were 343,000, a decrease of 29,000 from the previous week's revised figure of 372,000. The 4-week moving average was 381,500 a decrease of 27,000 from the previous week's revised average of 408,500.
- » US manufacturing expanded at its swiftest pace in eight months in December 2012, backed by robust surge in both domestic and overseas demand as reflected from U.S. Flash Manufacturing Purchasing Managers Index. The index rose to 54.2 from 52.8 in the previous month. Consequently there has

been pickup in employment.

Europe

- » The Euro Zone has agreed to provide nearly 50 billion Euros in long-delayed aid to Greece. This has put all speculations to end regarding Greek exit from the single currency.

China

- » China has said that its top priority is to revive economy. There is an apparent shift in its approach from outward looking to inward looking policies– the main focus will be on promoting domestic demand and less on exports. Secondly, increase investment in capital-intensive state-owned companies, even if that reduces short-term growth.

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CII Economy Update is a weekly report published by Confederation of Indian Industry (CII). Reach us at: ecoresearch@cii.in



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