CII
Confederation of Indian Industry

Economy Update

WEEKLY NEWSLETTER | **12-18 November 2012**

Dear Reader

The moderation in WPI inflation for October 2012 is a welcome sign. The easing of inflation in non-food manufacturing which is widely regarded as the indicator of demand-side pressures is also encouraging and should pave the way for the RBI to start cutting rates as early as next month. Growth has been slowing down as reflected by the recent industrial production numbers and hence a rate cut at this juncture might just prove to be a panacea for the economic ills that the economy seems to be facing currently. The RBI would do well to reduce repo rate by 50 bps and CRR by another 50 bps in the next quarterly review.

Chandrajit Banerjee
(Director-General , CII)

INDICATORS

- **Whole-sale price (WPI)** based inflation came in at 7.45% in October 2012 sharply lower than previous month's print of 7.81%. The August number was revised upward to 8.01% from provisional estimate of 7.55%. Primary inflation eased to 8.21% mainly on account of lower food prices. Non-food manufacturing inflation also eased during the month.

- **Petrol prices** were cut last week by 95 paise per litre, the second reduction in rates since October, mainly on account of fall in global crude prices. Petrol in Delhi would cost Rs 67.24 per litre, down 95 paise from Rs 68.19 per litre. Prices vary from city to city due to differential local sales tax or VAT rates.

- 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.

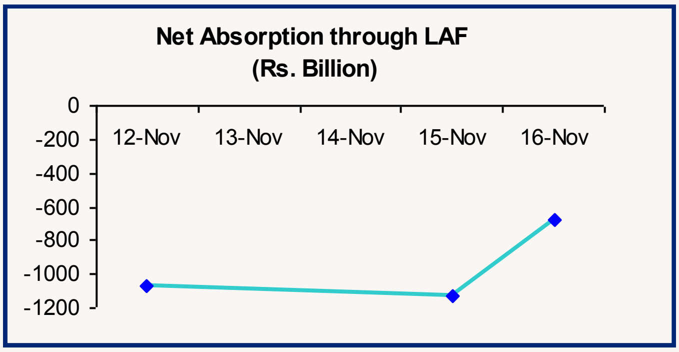
- **Foreign Exchange Reserves** as on 09 November 2012 stood at US$293.5 billion, down by US$0.8 billion from the previous week.

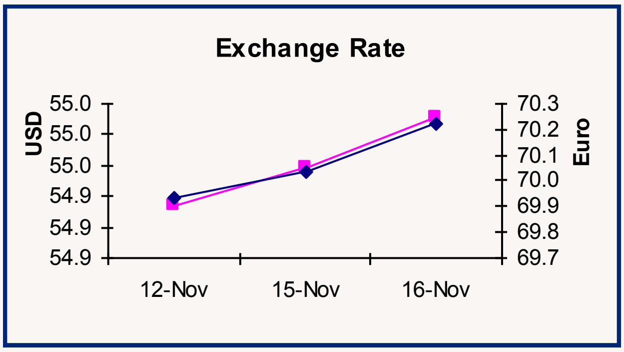
- At the **Treasury Bills Auctions** held during the week, the YTM for 91-day T-Bills stood at 8.1%.

- The **Call Money Rates** as on 16 November 2012 traded in the range of 7.15-8.15%.

POLICY DEVELOPMENTS

- The 2G spectrum auction ended last week by raising less than 1/3rd of the Rs 30,000 crore it had been expected to garner. There were no takers for spectrum in Delhi and Mumbai-India's biggest telecom markets. The poor response was blamed to the high base price.
- In wake of the rising global prices of precious metals, the government last week increased the import tariff value of Gold & Silver marginally to US$561 per 10 gram and US$1,058 per kg respectively. The tariff value, which is released every fortnight, is the base price on which the customs duty is determined to prevent under-invoicing.
- The Finance Ministry is expected to notify the Rajiv Gandhi Equity Saving Scheme (RGESS) which is aimed at attracting retail investors to equity.
- Controller and Auditor General (CAG) has asked the oil ministry not to approve any more investments in Reliance industry's KG-D6 oil & gas block till the company submits all records of its spending in the Andhra Off-shore field till 2011-12 for scrutiny.





BANKING INDICATORS

Rs. Billion

Indicators	Outstanding as on 02 November, 2012	% Variation over Fortnight	Year
Total Bank Credit	**48,597**	**-0.9**	**16.2**
Food Credit	**1,039.4**	**5.3**	**36.1**
Non Food Credit	**47,558.1**	**0.7**	**15.6**
Aggregate Deposit	**64,358.2**	**-0.7**	**13.7**
Broad Money (M3) *	**79,476.2**	**0.6**	**13.0**
Credit Deposit Ratio	**75.51**		

Source: RBI   *Note: * as on November 02, 2012*

EQUITY MARKETS

- **Global share market** traded lower in the week on concerns regarding the US fiscal cliff and weak Euro Zone GDP data. The only exception was the Japanese Nikkie-225 which traded higher last week owing to mainly a weaker Yen.

- **Indian stocks** kept up their recent losing streak and ended in the red after contracting by nearly 2% on a weekly basis.

- **Total turnover** during the week on BSE stood at Rs. 9620 crore and on NSE at Rs. 41,035 crore.

Global Stock Indices	Closing Value as on 16 November, 2012	Weekly Change (%)
NYSE: DJIA	12542.4	-2.1
FTSE 100	5677.8	-1.6
Nikkei 225	9024.7	3.0
Straits Times	2945.7	-2.1
KOSPI	1860.9	-2.3
Source: Yahoo Finance		

Net Institutional Activity		
	Equity	Debt
Weekly FII (US$ Million)	82.2	-17.2
Year -to-date FII (US$ Million)	18702.2	6337.5
Weekly Mutual Funds# (Rs Crore)	18	na
Source: SEBI	*#as on 15 November, 2012*	

Indian Equity Indices	Closing Value as on 16 November, 2012	Weekly Change (%)
BSE SENSEX	18309.4	-2.0
BSE 500	7123.7	-1.3
S&P CNX NIFTY	5574.1	-2.0
S&P CNX 500	4451.1	-1.3
Source: NSE, BSE		

COMMODITY MARKETS

- **NYMEX West Texas Intermediate Crude Oil** on 16 November 2012 was US$85.24 per barrel, gaining from last week's level.

- **New York spot price for Gold** was US$ 1,710 per ounce as on 16 November 2012, lower than last weeks close due to concerns over the global growth and US fiscal cliff.

Commodity Spot Indices	Closing Value as on 16 November, 2012	Weekly Change (%)
MCX AGRI	2260.8	3.5
MCX METAL	5240.4	0.5
MCX ENERGY	3404.1	2.3
MCX COMDEX	3759.6	1.5
Source: MCX		

INDUSTRY/SECTOR NEWS

Railways

- Indian railways have carried 565.37 million tonnes of revenue earning freight traffic during April-October 2012. The freight carried shows an increase of 28.45 million tonnes over the freight traffic of 536.92 million tonnes actually carried during the corresponding period of last year, registering an increase of 5.3%.

Power

- To refocus on hydropower after the recent setbacks, NTPC Ltd may buy state owned Tungabhadra Steel Products Ltd's 204 MW hydel power project. Tungabhadra Steel was set up as a joint venture between State Government's of Karnataka and Andhra Pradesh which later became a central public sector unit in 1967 with the Central Government acquiring a 50.5% stake in the company.

Petroleum & Natural Gas

- According to the Petroleum Planning and Analysis Cell (PPAC), the under-recovery on High Speed Diesel (HSD) applicable for the 2nd fortnight of November effective 16 Nov 2012 though slightly lower, remains high at Rs 09.06/Litre. In the case of PDS Kerosene and Domestic LPG, the under-recoveries are Rs 31.30/Litre and Rs 478.50/cylinder respectively.

BSE Indices	Closing Value as on 16 November, 2012	Weekly Change (%)
AUTO INDEX	10400.2	-3.0
BANKEX	13020.8	-1.3
BSE CAPITAL GOODS	10635.3	-2.2
BSE CONSUMER DURABLE	7465.8	1.5
BSE FMCG	5669.5	-2.0
BSE HEALTHCARE	7686.0	-0.9
BSE INFOTECH	5669.4	-1.5
BSE MID CAP	6658.3	0.0
BSE SMALL CAP	7110.8	0.6
BSE TECK INDEX	3359.8	0.2
METAL INDEX	9859.6	-2.7
OIL & GAS INDEX	8066.6	-1.5

Source: BSE

CNX Segment Indices	Closing Value as on 16 November, 2012	Weekly Change (%)
CNX NIFTY Junior	11241.6	0.7
CNX MIDCAP	7855.5	-0.4
BANK NIFTY	11335.5	-1.2
CNX IT	6030.5	-1.3
CNX Realty	250.5	-0.7
CNX Infrastructure	2503.8	-0.1

Source: NSE

GLOBAL NEWS

US

- The consumer price index for All Urban Consumers (CPI-U) increased 0.1% in October 2012 on a seasonally-adjusted basis. Over the last 12 months, the all items index increased by 2.2% before seasonal adjustment in October 2012 as compared with 2.0% in September 2012.

- The Empire State Manufacturing Survey for November 2012 indicated that the general business conditions index was negative for a fourth consecutive month, but was little unchanged at –5.2.

Europe

- Euro zone economies contracted in the third-quarter 2012 despite modest gains in Germany and France, as rising unemployment and fiscal austerity across much of Europe pushed the continent into its second recession since 2009. GDP in the 17-member Euro Zone economies slid 0.1% in the third-quarter 2012 from the previous quarter which translates into an annualized decline of 0.2%. GDP fell 0.7% in the second-quarter 2012 at an annualized rate.

China

- CPI inflation fell to 1.7% in October 2012 from 1.9% in the previous month. Food prices were up 1.8% on y-o-y basis, lowest since late 2009, while non-food prices increased by 1.7% on y-o-y basis.

DISCLAIMER

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