

# Economy Update



» WEEKLY NEWSLETTER

» 17-23 December 2012

## Dear Reader

The decision of the RBI to hold policy rates on status quo in its mid-quarter monetary policy review held last week was disappointing. The quarterly GDP figures are a clear pointer at the severe slowdown that the economy is in the midst of, and every segment of the economy is looking at the RBI for some relief with interventions which would help cost and availability of capital. Therefore, the position being maintained by the RBI on headline rates is becoming inexplicable. CII hopes that the RBI would not wait for the next quarterly review but would recognize the enormity of the problem and intervene sooner than that.

Chandrajit Banerjee  
(Director-General, CII)

## INDICATORS

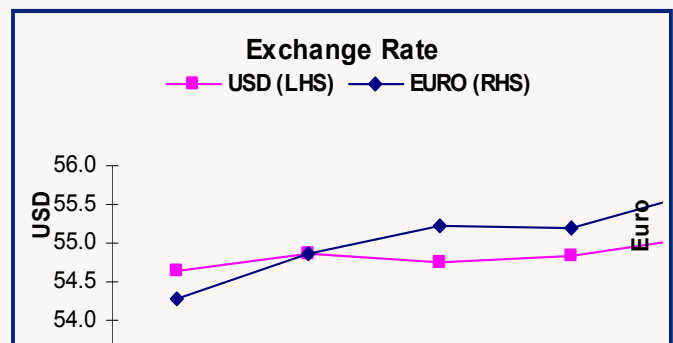
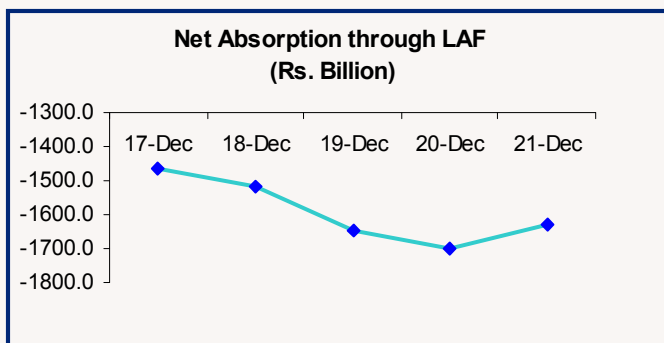
- » Finance Ministry is expecting a **GDP growth** of 5.7-5.9% for the current fiscal year 2012-13. It would be the lowest growth in last ten years.

During April-November 2012, the **indirect tax collection** rose by 16.8% to Rs. 2.98 lakh crore against the annual targeted growth of 27.0%. In the same period last year, indirect tax collection was Rs. 2.50 lakh crore. Excise amounted to Rs.1,08,470 crore during April to November 2012, while accumulation from service taxes and customs was Rs. 78,774 crore and Rs. 1,04,864 crore respectively.

- » According to DIPP, **FDI inflows** grew by over 65% year-on-year to US\$1.94 billion in October 2012 as compared to US\$1.16 billion in October 2011. However, during April-October 2012, FDI inflows have declined by about 27% to US\$14.78 billion, from US\$20.29 billion in the year-ago period as overseas investment inflows were small in the initial months.
- » **Foreign Exchange Reserves** as on 14 December, 2012 stood at US\$296.6 billion, up by US\$1.6 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 7 December 2012 traded in the range of 6.8-8.2%.

## POLICY DEVELOPMENT

- » The finance ministry has asked SEBI to do away with the 25% margin money requirement for institutions bidding during the PSU stake sale through the auction route. This is expected to generate more demand during the stake sale process, as investors would not have to worry about providing funds upfront for making bids.
- » RBI has kept policy rates unchanged in its third mid quarter review 2012-13. The CRR stands at 4.25%, repo rate at 8.0% and reverse repo rate at 7.0%.
- » In a major blow to the commodity futures markets, the Forward Markets Commission is planning to ban extra-leveraging of exposure by members to their clients.
- » RBI has allowed real estate developers and housing finance companies to raise up to US\$1 billion through external commercial borrowing this fiscal to promote low-cost housing projects.



## 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. The market is still under the grip of the deferred decision with respect to voting on fiscal plan B in US till Christmas.
- » **Indian stocks** plunged marginally last week. Only few indices have shown marginal improvement except Metal, which has gained the most, by over 4.0%.
- » **Total turnover** during the week on BSE stood at Rs. 10,488 crore and on NSE at Rs. 51,097 crore.

Global Stock Indices	Closing Value as on 21 December, 2012	Weekly Change (%)
NYSE: DJIA	13,311.7	1.1
FTSE 100	5,958.3	0.6
Nikkei 225	10,039.3	3.1
Straits Times	3,175.5	0.2
KOSPI	1,999.5	0.2

Source: Yahoo Finance

### Net Institutional Activity

	Equity	Debt
Weekly FII (US\$ Million)	932.4	28.9
Year -to-date FII (US\$ Million)	23,153.5	6,423.3
Weekly Mutual Funds <sup>#</sup> (Rs Crore)	-722.0	8,541.0

Source: SEBI

<sup>#</sup>as on 20 December, 2012

Indian Equity Indices	Closing Value as on 21 December, 2012	Weekly Change (%)
BSE SENSEX	19,242.0	-0.4
BSE 500	7,492.4	-0.3
S&P CNX NIFTY	5,916.4	0.6
S&P CNX 500	4,746.4	1.0

Source: NSE, BSE

## COMMODITY MARKETS

- » **NYMEX West Texas Intermediate Crude Oil** on 21 December 2012 was US\$88.7 per barrel, up by US\$2.0 per barrel from the previous week.
- » **New York spot price for Gold** was US\$ 1,658.9 per ounce as on 21 December 2012, down by US\$36.2 per ounce from the previous week.

Commodity Spot Indices	Closing Value as on 22 December, 2012	Weekly Change (%)
MCX AGRI	3,375.1	0.3
MCX METAL	5,136.1	-2.6
MCX ENERGY	3,395.5	4.8
MCX COMDEX	3,913.9	0.2

Source: MCX, NCDEX

## INDUSTRY NEWS

### Minerals

» The Rs 15,000 crore aluminum plant's joint venture between Gujarat Mineral Development Corporation and Nalco is progressing at a slow pace due to various issues including red-tape. It is finally expected to begin construction in four month's time i.e April. A one million tonne aluminum smelter and a 0.5 million tonne alumina refinery is being planned at the kutch site.

### Dyeing

» Jetpur based dyeing and printing industry expects exports to dip by around 30% this fiscal as the global slowdown has impacted business growth. In normal conditions exports is around Rs 1,200 crore every year but this year it will be about Rs 800-850 crore as export orders from African countries are down by around 50%.

### Airport

» Due to delays in land acquisition and securing environment clearance, among others, the second airport in Mumbai, the Navi Mumbai International Airport, may not take off before 2017. The first phase of the airport was supposed to be operational by end-2014 or early 2015. The first phase of the project is pegged at about Rs 9,000 crore. Any further delays could push up the costs.

### Automobile

» Maruti Suzuki India has started work on setting up its second facility in Gujarat, with the acquisition of another 600 acres, in addition to its existing plan to invest Rs 4,000 crore for setting up a plant in the state.

BSE Indices	Closing Value as on 21 December, 2012	Weekly Change (%)
AUTO INDEX	11,252.9	0.8
BANKEX	14,151.2	-0.8
BSE CAPITAL GOODS	10,735.1	-1.9
BSE CONSUMER DURABLE	7,626.1	-1.8
BSE FMCG	5,924.3	-0.9
BSE HEALTHCARE	8,059.6	1.0
BSE INFOTECH	5,623.7	0.6
BSE MID CAP	6,997.7	0.0
BSE SMALL CAP	7,325.5	-0.4
BSE TECK INDEX	3,378.9	0.4
METAL INDEX	11,039.2	4.4
OIL & GAS INDEX	8,339.7	-1.2

Source: BSE

CNX Segment Indices	Closing Value as on 21 December, 2012	Weekly Change (%)
CNX NIFTY Junior	12,310.4	2.8
CNX MIDCAP	8,471.6	1.3
BANK NIFTY	12,486.5	0.5
CNX IT	5,995.0	0.8
CNX Realty	283.7	3.3
CNX Infrastructure	2,590.5	0.4

Source: NSE

## GLOBAL NEWS

### USA

- » In the week ending December 15, the advance figure for seasonally adjusted initial claims of unemployment benefits were 361,000, an increase of 17,000 from the previous week's revised figure of 344,000. The 4-week moving average was 367,750 a decrease of 13,750 from the previous week's revised average of 381,500.
- » US government has managed to defer voting on fiscal consolidation 'Plan B' until Christmas. It seeks to reach a short-term deal on taxes and extending unemployment insurance to avoid the worst effects of the fiscal cliff on citizens at the start of the year 2013.

### Europe

- » UK Consumer Confidence Index rose by 8 points to -22 in November 2012 as compared to -30 in October 2012. This is a healthy sign despite not so inspiring economic environment.

### Japan

- » Japan trade deficit expanded by 37.9% on year on basis to US\$11.3 billion in November 2012, is a worrying sign for the world third economy. Overall exports fell by 4.1%, while imports increased marginally by 0.8%. Exports fell mainly because of drop in demand from European nations due to the ongoing economic turmoil.

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