

Economy Update



WEEKLY NEWSLETTER



19-25 November 2012

Dear Reader

The GDP data for the second-quarter of the current fiscal which will be released on November 30, 2012 is likely to reaffirm the underlying downward momentum in the economy. After the 5.5% growth posted in first-quarter, we expect the GDP to remain subdued and further reiterate the downside risks for the economy. The alarm bells have been ringing for quite some time now, but unfortunately the Central Bank has not paid heed to the industry demand for a rate cut. The expected weakness in GDP we feel should push the Central Bank to cut interest rates at the earliest.

Chandrajit Banerjee

(Director-General, CII)

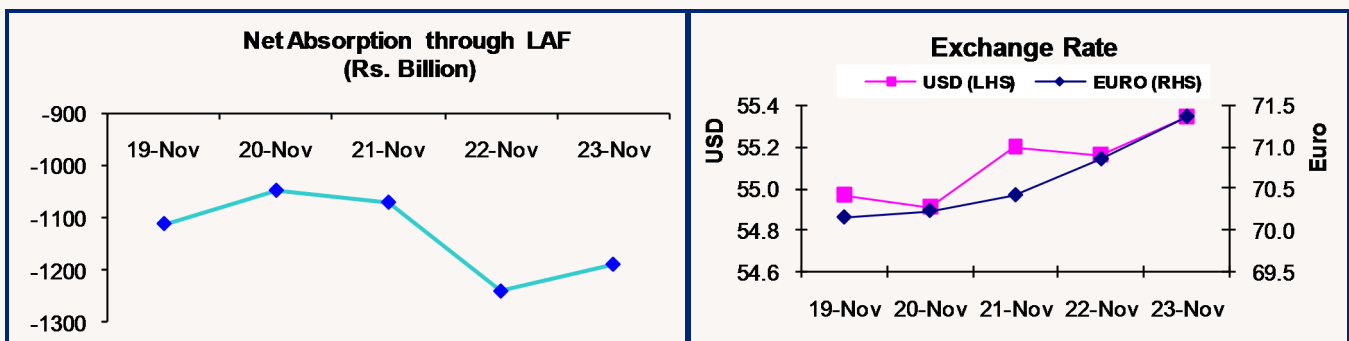
INDICATORS

- Late withdrawal of the southwest monsoon across most parts of the country, particularly over North India, has **delayed sowing of the main rabi crops** such as wheat, pulses and oilseeds, as farmers are yet to fully harvest the previous crop. Overall, rabi crops had been sown in 19.58 million hectares till 23 November 2012, 13.9% down as compared to last year.
- According to Finance Ministry **Direct Tax Collections** has been Rs. 2,65,417 crore till 15 November, 2012 during the current fiscal year 2012-13. It is projected that the total direct tax collections for financial year 2012-13 will exceed the collection realised during the last fiscal year.
- According to **Ministry of Finance**, Rs. 52,275.6 crore has been released by the government to give benefit to 3.45 crore farmers but there is no proposal to waive off agricultural loans.
- Foreign Exchange Reserves** as on 16 November, 2012 stood at US\$293.5 billion, down by US\$0.03 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 23 November 2012 traded in the range of 7.0-7.9%.



POLICY DEVELOPMENT

- » Competition Commission of India (CCI) and Reserve Bank of India to clear all mergers and acquisitions (M&As) in the banking space. The CCI will look at the competition part of such deals, while the RBI will see prudential aspects.
- » Group of Ministers has finalized the land Bill and will be sent soon for the Cabinet approval. According to the bill, acquisition of land for private purposes would require the consent of 80% of the owners. However, no consent will be required for acquiring land for public purposes, even for private parties. Further, in the cases of both, public and private purposes, the provisions of relief and rehabilitation would apply equally.
- » SEBI has provided more leeway for housing finance companies (HFCs) by relaxing the investment limit for such entities in debt mutual funds. The relaxation would be subject to certain conditions such as the securities issued by HFCs should have a rating of 'AA' or above. And HFCs must be registered with the National Housing Bank.



BANKING INDICATORS

			<i>Rs. Billion</i>
Indicators	Outstanding as on 2 November, 2012	% Variation over Fortnight	Year
Total Bank Credit	48,597.0	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	75.5		

Source: RBI

EQUITY MARKETS

» **Global share market** gained last week on account of consensus building among Euro Zone finance ministers for reducing Greece debt to GDP ratio to 70% by 2020.

» Most of the **Indian stocks** too picked up, albeit marginally in the last week. Almost all BSE indices gained except Mid Cap, Small Cap. Oil & Gas and Metal.

» **Total turnover** during the week on BSE stood at Rs. 7,636 crore and on NSE at Rs. 36,917 crore.

Global Stock Indices	Closing Value as on 23 November, 2012	Weekly Change (%)
NYSE: DJIA	12,836.9	2.3
FTSE 100	5,819.1	2.5
Nikkei 225	9,366.8	3.8
Straits Times	2,989.3	1.5
KOSPI	1,911.3	2.7

Source: Yahoo Finance

Net Institutional Activity

	Equity	Debt
Weekly FII (US\$ Million)	380.3	-152.0
Year -to-date FII (US\$ Million)	19,082.5	6,185.5
Weekly Mutual Funds [#] (Rs Crore)	-88.0	10,144.0

Source: SEBI

[#]as on 24 November, 2012

Indian Equity Indices	Closing Value as on 23 November, 2012	Weekly Change (%)
BSE SENSEX	18,506.6	1.1
BSE 500	7,151.7	0.4
S&P CNX NIFTY	5,626.6	0.9
S&P CNX 500	4,474.2	0.5

Source: NSE, BSE

COMMODITY MARKETS

» **NYMEX West Texas Intermediate Crude Oil** on 23 November 2012 was US\$88.3 per barrel, up by US\$1.4 per barrel from the previous week.

» **New York spot price for Gold** was US\$ 1,751.6 per ounce as on 23 November 2012, up by US\$36.5 per ounce from the previous week.

Commodity Spot Indices	Closing Value as on 24 November, 2012	Weekly Change (%)
MCX AGRI	3,499.8	0.6
MCX METAL	5,305.4	1.4
MCX ENERGY	3,409.1	2.6
MCX COMDEX	4,007.8	1.6

Source: MCX, NCDEX

INDUSTRY NEWS

Electronics

» The Strategic Electronics Factory of Hindustan Aeronautics Limited (HAL) has recently been inaugurated at Kasaragod. The second phase is likely to start soon. In this phase, plans are afoot to produce avionics like radars, electronic warfare suites, communication, and navigation equipment for Medium Multirole Combat Aircraft among others.

Medical Tourism

» According to Indian Medical Tourism Conference and Alliance (IMTCA), the medical tourism industry in India has a potential to contribute around 25% to the country's gross domestic product over the next five years if fully-tapped. According to industry estimates, India's share in the global medical tourism industry will reach around 3.0% by end of 2013.

Agriculture

Declining agriculture income in Punjab is compelling the government to diversify agriculture pattern from wheat and rice to other crops. Recently Punjab government has submitted a diversification plan to the Centre proposing a shift of 1.2 million hectares of area under rice cultivation to other crops like maize, cotton with a major focus on fruit and vegetable, during the next six years.

BSE Indices	Closing Value as on 23 November, 2012	Weekly Change (%)
AUTO INDEX	10,558.9	1.5
BANKEX	13,178.7	1.2
BSE CAPITAL GOODS	10,630.4	0.0
BSE CONSUMER DURABLE	7,476.9	0.1
BSE FMCG	5,815.4	2.6
BSE HEALTHCARE	7,703.0	0.2
BSE INFOTECH	5,733.4	1.1
BSE MID CAP	6,597.4	-0.9
BSE SMALL CAP	7,057.1	-0.8
BSE TECK INDEX	3,399.9	1.2
METAL INDEX	9,801.2	-0.6
OIL & GAS INDEX	7,987.6	-1.0

Source: BSE

CNX Segment Indices	Closing Value as on 23 November, 2012	Weekly Change (%)
CNX NIFTY Junior	11,253.8	0.1
CNX MIDCAP	7,787.3	-0.9
BANK NIFTY	11,475.8	1.2
CNX IT	6,099.1	1.1
CNX Realty	247.9	-1.0
CNX Infrastructure	2,496.8	-0.3

Source: NSE

GLOBAL NEWS

USA

- » In the week ending November 17, the advance figure for seasonally adjusted initial claims of unemployment benefits were 410,000, a decrease of 41,000 from the previous week's revised figure of 451,000. The 4-week moving average was 396,250 an increase of 9,500 from the previous week's revised average of 386,750.
- » US housing market has improved to a four year high in October, despite decline in permits for future construction. Housing demand increased by 3.6% to a seasonally adjusted annual rate of 894,000 units, highest since July 2008.

Europe

- » Euro Zone finance ministers are mulling a possible "haircut" for Greece in 2015 that may reduce its debt to GDP to 70% in 2020 against the actual target of 120%. This would serve as a potential incentive for Greece to undertake reforms required in its second aid package, which runs out in 2014.

Japan

- » Japan posted its worst October trade figures in past 30 years on account of persistent economic weakness and a spat with China. In October trade deficit nearly doubled to US\$ 6.7 billion from a year ago. Expanding trade deficit, weak economic growth and falling factory output is pushing it towards recession.

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