

# Economy Update



» FORTNIGHTLY NEWSLETTER

» 21 Jan - 3 Feb 2013

## Dear Reader

CII is happy to note the interest rate cut announced by the Reserve Bank of India (RBI) in its third-quarter monetary policy review held on 29 January 2013. This decision sends out a positive signal that the Central bank has now joined hands with the government to revive the growth momentum of the economy, which had to so far largely focused on taming inflation. Government's continued thrust on reforms along with the downtrend in WPI-based inflation has provided necessary leg-room for RBI to maneuver its policy in favour of growth. However, we would have been happier with a larger reduction in repo rate.

Chandrajit Banerjee

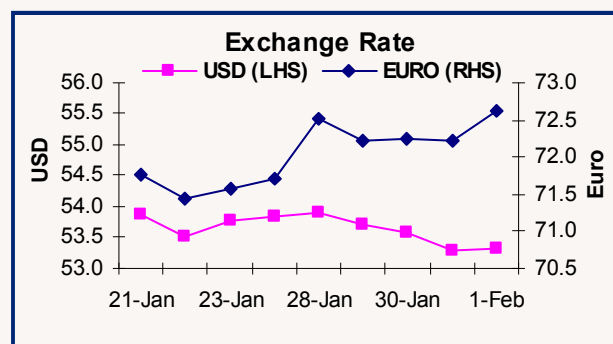
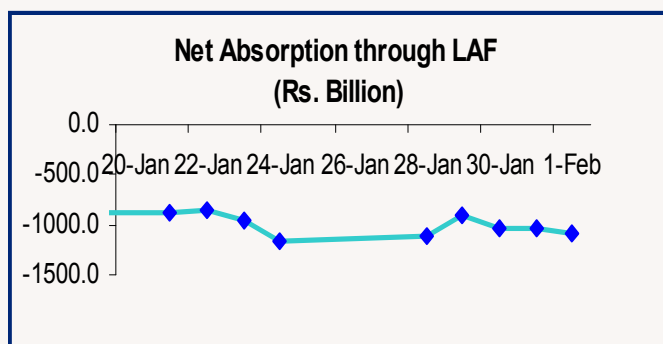
(Director-General, CII)

## INDICATORS

- » The **Index of Eight core industries** grew by 2.6% in December 2012 as compared to 4.9% growth in same month last year. The decline in growth in December, 2012 was due to the negative growth witnessed in the production of Coal, Natural Gas and Fertilizers. Natural gas production fell by nearly 15.0%, fertilizers by 3.8% and coal production by 0.2% during the month.
- » As per **Ministry of Agriculture**, rabi crops have been sown in 605.02 lakh hectare as compared to 608.34 lakh hectare in this time last year, posting a dip of 0.5%. The decline has been due to less area sown under major crops such as rice, wheat and pulses. On the other hand, considerable increase in area under Sorghum, Coarse cereals, Gram, Rapeseeds and Mustard and Oil seeds also has been observed.
- » The Central Statistics Office, Ministry of Statistics and Programme Implementation has **revised estimates of National Income, Saving and Capital Formation**. GDP at factor cost grew by 6.2% in 2011-12, against 9.3% in 2010-11. Gross savings as a percentage of GDP at market price stood at 30.8% in 2011-12 as compared to 34.0% in 2010-11, while Gross capital formation as a percentage of GDP was estimated at 35.0%, against 36.8%. There has been a rise in the per capita income to Rs. 38,037 in 2011-12, up from Rs. 36,342 a year ago.
- » **Foreign Exchange Reserves** as on 25 January, 2013 stood at US\$295.7 billion, down by US\$0.6 billion from that on 11 January 2013.
- » At the **Treasury Bills Auctions** held during the week, the YTM for 91-day T-Bills stood at 7.94%.
- » The **Call Money Rates** as on 2 February 2013 traded in the range of 6.75-7.90%.

## POLICY DEVELOPMENT

- » RBI in its third quarter review dated 29 January 2013 has cut repo rate by 25 basis points from 8.0% to 7.75% and accordingly the reverse repo stands at 6.75%, MSF at 8.75% and Bank rate at 8.75%. CRR has also been slashed by 25 basis points to 4.0% of the net demand and time liabilities effective the fortnight beginning February 9, 2013. This is expected to inject Rs. 180 billion into the banking system.
- » The Empowered Group of Ministers on telecom has removed the cap on maximum number of blocks for the operators in the upcoming auction other than policy restriction of 25% and 50% of the spectrum. With this in place, existing GSM operators, which were allowed to bid for a maximum of four blocks of 1.25 MHz in each circle, will now be able to bid for as many blocks they want depending on availability
- » SEBI will soon introduce product labeling for mutual funds to make investors aware of any risks associated with it.



## BANKING INDICATORS

Indicators	Rs. Billion		
	Outstanding as on 11 January, 2013	% Variation over Fortnight	Year
Total Bank Credit	50,427.9	0.3	16.3
Food Credit	1,064.1	-1.1	23.2
Non Food Credit	49,363.8	0.3	16.2
Aggregate Deposit	65,386.0	0.9	13.3
Broad Money (M3)	81,115.7	1.0	12.9
Credit Deposit Ratio	77.1		

Source: RBI

## EQUITY MARKETS

- » **Global share market** cheered over couple of weeks on account of slow but steady progress in the US and Chinese economy as PMI showed expansion in manufacturing output. Besides, Euro Zone is exhibiting early signs of recovery as the rate of output contraction is slowing down.
- » **Indian stocks** plunged marginally over last two weeks as most of the indices remained in negative territory.
- » **Total turnover** during 21 January-2 February 2013 on BSE stood at Rs. 21,273 crore and on NSE at Rs. 1,18,743 crore.

Global Stock Indices	Closing Value as on 1 February, 2013	Weekly Change (%)
NYSE: DJIA	13,860.6	1.9
FTSE 100	6,276.88	2.4
Nikkei 225	11,138.7	5.0
Straits Times	3,282.7	2.7
KOSPI	1,961.9	-0.6

Source: Yahoo Finance

### Net Institutional Activity

	Equity	Debt
Fortnightly FII (US\$ Million)	1,806.0	782.5
Year -to-date FII (US\$ Million)	4,254.9	680.8
Fortnightly Mutual Funds <sup>#</sup> (Rs Crore)	-2,931.0	10,221.7

Source: SEBI

<sup>#</sup>as on 31 January, 2013

Indian Equity Indices	Closing Value as on 1 February, 2013	Weekly Change (%)
BSE SENSEX	19,895.0	-0.7
BSE 500	7,665.7	-1.0
S&P CNX NIFTY	6,034.8	-0.1
S&P CNX 500	4,795.3	-0.7

Source: NSE, BSE

## COMMODITY MARKETS

- » **NYMEX West Texas Intermediate Crude Oil** on 1 February 2013 was US\$97.8 per barrel, up by US\$2.2 per barrel from the price on 18 January 2013.
- » **New York spot price for Gold** was US\$ 1,668.4 per ounce as on 1 February 2013, down by US\$18.9 per ounce from the price on 18 January 2013.

Commodity Spot Indices	Closing Value as on 2 February, 2013	Weekly Change (%)
MCX AGRI	3,325.0	-1.7
MCX METAL	5,153.6	-0.7
MCX ENERGY	3,516.2	-0.7
MCX COMDEX	3,957.2	-0.9

Source: MCX, NCDEX

## INDUSTRY NEWS

### Energy

- » The wind power potential in Andhra Pradesh is estimated to be at least 88,000 Mw from wastelands. Besides, there is a potential of around 12,000 Mw if 5% of the state's agricultural lands suitable for wind power were used.

### Defence

- » India to sign a deal with France worth US\$10-billion relating to the purchase of 126 French Rafale medium multi-role combat aircraft manufactured by Dassault Aviation.

### Bio-Technology

- » Andhra Pradesh Industrial Infrastructure Corporation signed an MoU with Gangwon Technopark of South Korea. This will include exchange of know-how, sharing of information, facilitation of partnership between the companies besides education and training. The collaboration would be beneficial to both the partners engaged in the task of optimum exploitation of biotech resources and products.

### Natural Gas

- » Hindustan Petroleum Corp Ltd is planning to invest Rs 600-700 crore to set up its second underground LPG storage facility in Mangalore.

BSE Indices	Closing Value as on 1 February, 2013	Weekly Change (%)
AUTO INDEX	10,993.9	-2.7
BANKEX	14,580.3	0.2
BSE CAPITAL GOODS	10,495.6	-0.1
BSE CONSUMER DURABLE	7,581.5	-1.5
BSE FMCG	5,921.9	2.9
BSE HEALTHCARE	8,016.9	-0.6
BSE INFOTECH	6,393.6	-0.2
BSE MID CAP	6,970.9	-2.7
BSE SMALL CAP	7,074.1	-4.0
BSE TECK INDEX	3,798.4	-0.5
METAL INDEX	10,606.1	-1.6
OIL & GAS INDEX	9,359.2	-2.2

Source: BSE

CNX Segment Indices	Closing Value as on 1 February, 2013	Weekly Change (%)
CNX NIFTY Junior	12,270.6	-1.7
CNX MIDCAP	8,363.7	-2.7
BANK NIFTY	12,708.6	1.9
CNX IT	6,778.0	-1.3
CNX Realty	294.8	-3.8
CNX Infrastructure	2,561.6	-0.9

Source: NSE

## GLOBAL NEWS

### USA

- » In the week ending January 26, the advance figure for seasonally adjusted initial claims of unemployment benefits were 368,000, an increase of 38,000 from the previous week's unrevised figure of 330,000. The 4-week moving average was 352,000, an increase of 250 from the previous week's unrevised average of 351,750.
- » US economy shrunk in the Q4, 2012 by 0.1% due to plunge in military spending, fewer exports and a steep slowdown in the build-up of inventories by businesses. Further, anxieties about the fiscal impasse contributed to the slowdown. Nonetheless, robust growth has been observed in housing

sector (15.3%), while, investment in equipment and software rose by 12.4%. Overall, during 2012, economy grew by 2.2%, above 1.8% in 2011.

### Europe

- » Markit PMI Manufacturing Index for January 2013 rose to 47.9 from 46.1 in December 2012 for Euro zone. It still indicates persistent shrink in manufacturing output, but the pace has been slowest in 11 months.

### China

- » Official PMI rose to 50.4 in January 2013, below December's 50.6. It shows that factory output grew at a modest pace due to weak foreign demand, specially US and Europe.

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