



Confederation of Indian Industry

Economy Update



» WEEKLY NEWSLETTER

» 22-28 October 2012

Dear Reader

It is heartening to note the Government's intent to cut its fiscal deficit to 3% of GDP by March 2017 from highs of 5.8% of GDP reached last year. The deficit would be brought down through rationalized and strict control of expenditure, without harming flagship poverty relief programmes. The move comes after a government panel last month warned that the country was teetering on a "fiscal precipice" and must slash large subsidies in order to get its ballooning fiscal deficit under control. CII believes that fiscal consolidation is the key to improving investor confidence and help economy return to the path of high investment, high growth and lower inflation.

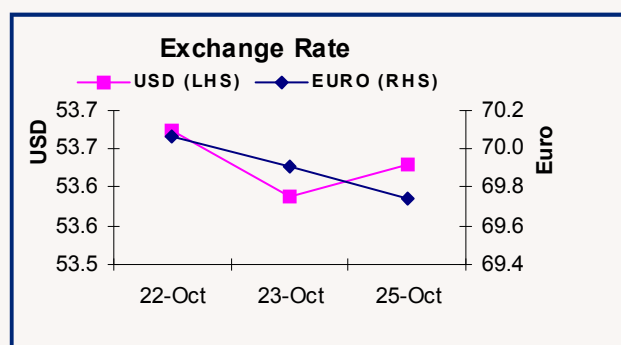
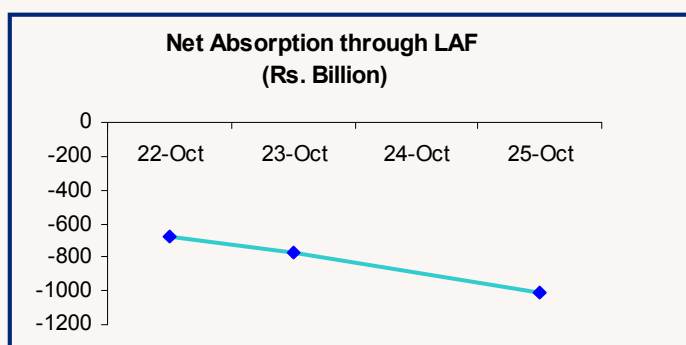
Chandrajit Banerjee
(Director-General, CII)

INDICATORS

- » **External Commercial Borrowings (ECBs)** reached US\$2.4 billion in August 2012, higher than US\$1.1 billion in the previous month, in order to fund modernisation, overseas acquisition and importing capital goods. Out of the total amount raised, US\$1.2 billion was via the automatic route while about US\$1.2 billion was raised through the approval route that requires case-by-case approval by the RBI.
- » Government will move to cut its **fiscal deficit** to 3% of GDP by March 2017. India's fiscal deficit widened to 5.8% of GDP last year from 3.5% in 2007-08, and could hit 6.1% this fiscal, according to Kelkar Committee Report.
- » Union government approved the **National Policy on Electronics 2012** on 25 October 2012. The draft National Policy was released for public consultation and it has now been finalized based on the comments from various stakeholders. The policy envisages that a turnover of US\$400 billion will create employment for two million people.
- » Government has planned end-to-end **computerization of Targeted Public Distribution (TPDS)** to make its reach more effective and beneficiaries friendly with an outlay of Rs 884.1 crore.
- » **Foreign Exchange Reserves** as on 19 October, 2012 stood at US\$295.2 billion, up by US\$0.3 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 25 October 2012 traded in the range of 7.2-8.2%.

POLICY DEVELOPMENT

- » Government has constituted a coordination committee called the 'National Committee on Direct Cash Transfers', as a mechanism to coordinate action for the introduction of direct cash transfers to individuals under the various government schemes and programmes.
- » A Group of Ministries cleared the land bill, suggesting the consent of 66% of the affected people would be required for acquisition for private and PPP projects, instead of 80%, and that it should be applied from an unspecified cut-off date. The cut-off date will be decided before the bill is cleared for introduction in the Winter Session of the Parliament.
- » The government has decided to stick to the new market-based formula for essential drugs. The formula was proposed by a group of ministers (GoM) in the last week of September 2012 to fix prices of 348 drugs in the National List of Essential Medicines. The Department of Pharmaceuticals is set to circulate the final cabinet note early this week to seek approval for the proposal to fix prices of these essential drugs based on the weighted average price of all brands which command a market share of more than 1%.



BANKING INDICATORS

Rs. Billion

Indicators	Outstanding as on 5 October, 2012	% Variation over Fortnight	Year
Total Bank Credit	48,093.8	0.9	15.9
Food Credit	917.8	-0.9	44.9
Non Food Credit	47,176.0	0.9	15.4
Aggregate Deposit	64,110.4	1.9	13.9
Broad Money (M3)	73,592.0	1.4	13.3
Credit Deposit Ratio	75.0		

Source: RBI

EQUITY MARKETS

- » **Global share market** lost ground last week on account on uncertainty prevailing over the Spanish debt.
- » **Indian stocks** fell tracking losses in Asian peers and downbeat global risk sentiment. Losses were acute in the FMCG space and Banking stocks.
- » **Total turnover** during the week on BSE stood at Rs. 6,468 crore and on NSE at Rs. 31,118 crore.

Global Stock Indices	Closing Value as on 26 October, 2012	Weekly Change (%)
NYSE: DJIA	13107.2	-3.3
FTSE 100	5806.7	-1.9
Nikkei 225	8933.1	-0.6
Straits Times	3057.5	-0.1
KOSPI	1891.4	-3.5

Source: Yahoo Finance

Net Institutional Activity

	Equity	Debt
Weekly FII (US\$ Million)	166.4	459.2
Year -to-date FII (US\$ Million)	18153.7	5685.4
Weekly Mutual Funds [#] (Rs Crore)	-198.2	-238.3

Source: SEBI

[#]as on 22 October, 2012

Indian Equity Indices	Closing Value as on 26 October, 2012	Weekly Change (%)
BSE SENSEX	18625.3	-0.9
BSE 500	7168.4	-1.2
S&P CNX NIFTY	5664.3	-1.0
S&P CNX 500	4480.3	-1.2

Source: NSE, BSE

COMMODITY MARKETS

- » **NYMEX West Texas Intermediate Crude Oil** on 26 October 2012 was US\$86.3 per barrel, down by US\$3.8 per barrel from the previous week.
- » **New York spot price for Gold** was US\$ 1,714.0 per ounce as on 26 October 2012, down by US\$10.1 per ounce from the previous week.

Commodity Spot Indices	Closing Value as on 26 October, 2012	Weekly Change (%)
MCX AGRI	2273.0	3.6
MCX METAL	5136.2	-1.0
MCX ENERGY	3306.8	-2.2
MCX COMDEX	3831.0	-2.8

Source: MCX, NCDEX

INDUSTRY NEWS

Information & Broadcasting

» As per the latest figures computed by the Ministry of Information and Broadcasting on digitization for the four Metro cities, the percentage of digitization has already reached 85%. This figure has been achieved by considering digitization of only cable homes. Taking into account DTH, the percentage of digitization has gone up to 90%.

Roads & Road Sector

» MoU between India and Spain on Roads and Road Transport sector has been signed. The objective of the MoU includes promoting efficient and environmentally sustainable transport systems and to institutionalize a technical and scientific cooperation in the fields of road infrastructure, construction, maintenance and management of roads.

Aviation

» Union Minister of Civil Aviation has approved constitution of a new 'Aircraft Acquisition Committee' (AAC), to examine and make recommendations on all proposals for providing air transport services and for permitting import or acquisition of aircraft for various purposes.

BSE Indices	Closing Value as on 26 October, 2012	Weekly Change (%)
AUTO INDEX	10,289.75	-0.5
BANKEX	13,217.36	-0.7
BSE CAPITAL GOODS	11,328.28	1.2
BSE CONSUMER DURABLE	7021.52	-3.8
BSE FMCG	5724.12	-2.2
BSE HEALTHCARE	7478.57	-1.0
BSE INFOTECH	5661.49	-0.9
BSE MID CAP	6603.15	-1.5
BSE SMALL CAP	7086.24	-1.5
BSE TECK INDEX	3281.99	-1.3
METAL INDEX	10,205.54	-2.7
OIL & GAS INDEX	8394.56	-1.3

Source: BSE

CNX Segment Indices	Closing Value as on 26 October, 2012	Weekly Change (%)
CNX NIFTY Junior	10934.2	-2.2
CNX MIDCAP	7790.5	-1.9
BANK NIFTY	11509.2	-0.7
CNX IT	6025.4	-1.0
CNX Realty	238.4	-3.9
CNX Infrastructure	2545.1	-0.7

Source: NSE

GLOBAL NEWS

USA

» US economic growth gained pace in the third-quarter on the back of higher consumer and government spending as well as ongoing recovery in the housing sector. GDP rose by 2% q-o-q (annualized) in the third-quarter of 2012 as compared to 1.3% q-o-q in the prior quarter. Government spending contributed to the GDP growth in the third quarter following eight consecutive months of being a net drag on the overall economic growth.

» The Federal Open Market Committee (FOMC) stayed the course in its meeting held on 23-24 October and left its bonds purchase programmes, the policy rate and forward rate

guidance unchanged, in line with expectations.

Europe

» In the recently held EU Summit, disagreement prevailed between German Chancellor Angela Merkel and French President Francis Hollande over the use of European Stability Mechanism (ESM). Merkel commented that ESM would not refinance Spanish and other ailing banks as German taxpayers would not be prepared to risk their money on such banks.

China

» Chinese economy continues to remain in the midst of slowdown with the GDP growth decelerating to 7.4% on an annual basis, lowest since March 2009. The decline in growth can be attributed to both internal and external factors.

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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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