



Confederation of Indian Industry

Economy Update



» WEEKLY NEWSLETTER

» 29 Oct-4 Nov 2012

Dear Reader

The Central Bank once again chose not to cut the key repo rate in its second quarter review of monetary policy held on October 30, 2012 and instead opted for cutting CRR by 25 basis points. CII was hopeful of a repo rate reduction, especially since government has done its bit by announcing steps to rein in fiscal deficit and revive the investor sentiments in the economy. RBI too in its statement acknowledged the sharp slowdown in growth due to both internal and external factors; hence a cut in headline rates was a reasonable expectation from the Central Bank. The next meeting is due in mid-December and CII is hoping that the Central Bank will oblige.

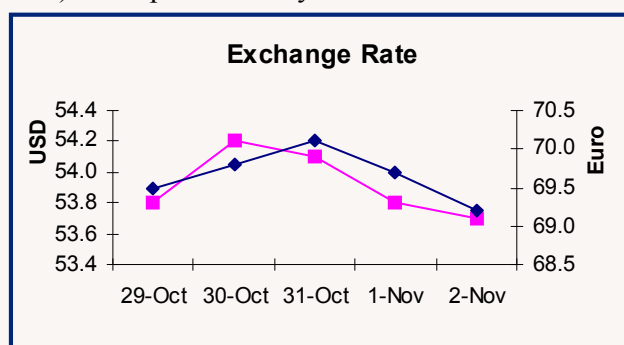
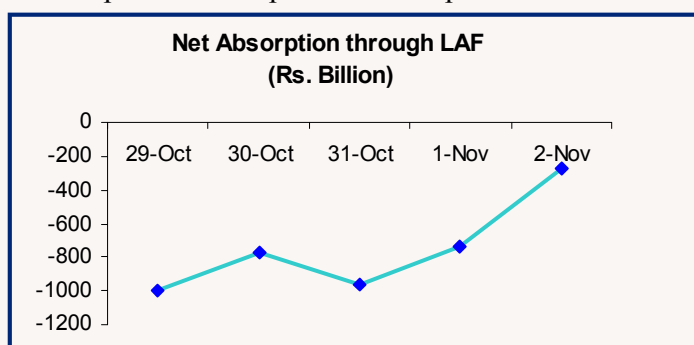
Chandrajit Banerjee
(Director-General, CII)

INDICATORS

- » The Reserve Bank of India (RBI) in its second-quarter monetary policy review held on October 30, 2012 chose to keep the repo rate unchanged, but again opted for a **cash reserve ratio (CRR)** cut by 25 bps. The latter is expected to release around Rs 175 billion of primary liquidity into the banking system.
- » The Central Bank has revised the **growth** forecast for the current fiscal sharply downwards to 5.8% from 6.5% forecasted earlier in July 2012. It also raised the **WPI-inflation** estimate for March-end to 7.5% from 7.0% indicated earlier.
- » Given the larger objectives of financial stability, and keeping in view international best practices to ensure that banks have sufficient **provisioning buffer**, the provision for restructured standard accounts was raised by RBI from the existing 2% to 2.75%.
- » Foreign fund inflows into the **Indian debt market** were at a five-month high of US\$1 billion in October 2012, with investors expressing confidence in the government's fiscal consolidation road map, a relatively stable Rupee and hopes of an interest rate cut going forward.
- » **Foreign Exchange Reserves** as on 26 October, 2012 stood at US\$295.3 billion, up by US\$0.1 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 02 November 2012 traded in the range of 7.0-7.9%.

POLICY DEVELOPMENTS

- » The definition of sickness of micro and small enterprises has been modified by the RBI to facilitate early rehabilitation of potentially viable sick units and to lay down a procedure for assessing viability of sick units in the sector.
- » Bank loans to Housing Finance Corporation (HFCs) for on-lending for housing upto Rs 1 million per borrower will be included under the priority sector, provided the interest rate charged to the ultimate borrower by the HFC does not exceed two percentage points above the lowest interest rate of the lending bank for housing loans.
- » RBI has allowed scheduled urban cooperative banks (UCBs) to undertake repo transactions in corporate bonds
- » With sugar production expected to be higher than domestic demand, the government will continue the free sugar export policy in the current 2012-13 marketing year that started this month. In May, sugar exports were kept under the Open General License (OGL) till September only



BANKING INDICATORS

Rs. Billion

Indicators	Outstanding as on 19 October, 2012	% Variation over Fortnight	Year
Total Bank Credit	48,159.4	-0.1	16.0
Food Credit	952.2	3.7	38.2
Non Food Credit	47,207.2	0.1	15.6
Aggregate Deposit	63,886.1	-0.3	13.6
Broad Money (M3)	79,003.1		
Credit Deposit Ratio	75.4		

Source: RBI

EQUITY MARKETS

- » **Global share market** traded mixed during the last week as uncertainty over the Spanish debt continued to increase.
- » **Indian stocks** rose during the week tracking gains in global equities amidst positive US economic data.
- » **Total turnover** during the week on BSE stood at Rs. 10,264 crore and on NSE at Rs. 49,460 crore.

Global Stock Indices	Closing Value as on 02 November, 2012	Weekly Change (%)
NYSE: DJIA	13093.2	-0.1
FTSE 100	5868.5	1.1
Nikkei 225	9051.2	1.3
Straits Times	3040.8	-0.5
KOSPI	1918.7	1.4

Source: Yahoo Finance

Net Institutional Activity

	Equity	Debt
Weekly FII (US\$ Million)	7.8	508.9
Year -to-date FII (US\$ Million)	18034.2	6,70.5
Weekly Mutual Funds [#] (Rs Crore)	-133	6202

Source: SEBI

[#]as on 02 November, 2012

Indian Equity Indices	Closing Value as on 02 November, 2012	Weekly Change (%)
BSE SENSEX	18755.5	0.7
BSE 500	7220.8	0.7
S&P CNX NIFTY	5697.7	0.6
S&P CNX 500	4510.2	0.7

Source: NSE, BSE

COMMODITY MARKETS

- » **NYMEX West Texas Intermediate Crude Oil** on 02 November 2012 was US\$86.9 per barrel, remaining almost unchanged from the previous week's close.
- » **New York spot price for Gold** was US\$ 1,694.3 per ounce as on 02 November 2012, slipping below the 1700-level for the first time in more than two weeks.

Commodity Spot Indices	Closing Value as on 26 October, 2012	Weekly Change (%)
MCX AGRI	2205.8	-3.0
MCX METAL	5050.3	-1.7
MCX ENERGY	3263.4	-1.3
MCX COMDEX	3621.8	-5.5

Source: MCX, NCDEX

INDUSTRY/SECTOR NEWS

Food & Beverage

» Coffee exports declined by 7% to Rs 2.81 lakh tones in the first 10 months of the current calendar year on account of drop in shipments of the *robusta* variety of coffee. India, the world's sixth largest coffee exporter, ships the beverage mainly to Italy, Russia, Germany, Belgium, Slovenia, Spain among other.

Textiles

» The government revised the minimum support prices (MSP) for medium-staple cotton from Rs 2,800 per quintal to Rs 3,600 per quintal and for long-staple cotton from Rs 3,300 per quintal to Rs 3,900 per quintal for cotton season 2012-13.

Railways

» Railways is all set to begin work on the Rs 80,000 crore dedicated freight corridor (DFC) project connecting Punjab with West Bengal and Uttar Pradesh with Maharashtra. After six years of inception, Dedicated Freight Corridor Corporation of India (DFCCIL) will be awarding its first project to private players for the construction of the corridor.

BSE Indices	Closing Value as on 02 November, 2012	Weekly Change (%)
AUTO INDEX	10690.7	3.9
BANKEX	13163.3	-0.4
BSE CAPITAL GOODS	11114.7	-1.9
BSE CONSUMER DURABLE	7378.0	5.1
BSE FMCG	5683.8	-0.7
BSE HEALTHCARE	7714.9	3.2
BSE INFOTECH	5798.8	2.4
BSE MID CAP	6645.5	0.6
BSE SMALL CAP	7064.4	-0.3
BSE TECK INDEX	3366.1	2.6
METAL INDEX	10315.1	1.1
OIL & GAS INDEX	8367.9	-0.3

Source: BSE

CNX Segment Indices	Closing Value as on 02 November, 2012	Weekly Change (%)
CNX NIFTY Junior	11080.4	1.3
CNX MIDCAP	7876.1	1.1
BANK NIFTY	11460.5	-0.4
CNX IT	6163.5	2.3
CNX Realty	239.5	0.5
CNX Infrastructure	2540.7	-0.2

Source: NSE

GLOBAL NEWS

USA

- » Non-farm payrolls grew by 171K in October, better than market expectations of a rise by 125K. Payroll prints for previous two months were revised higher by an aggregate of 84K. The unemployment rate meanwhile, ticked up to 7.9% from its near four-year low of 7.8% it had reached in September as the labour force participation rate edged up.
- » US ISM index for manufacturing activity rose to 51.7 in October from 51.5 in the previous month. A reading above 50 indicates expansion in the manufacturing sector. This is the second month in a row that the sector has grown after contracting through the summer.

Europe

- » Spain's GDP contracted by 0.3% quarter-on-quarter (q-o-q) in third-quarter of 2012 as against market expectations of 0.4% q-o-q. This was the nation's fifth consecutive quarterly decline.
- » Italian Prime Minister Mario Monti and his Spanish counter-part Mariano Rajoy met on October 29, 2012 and urged their European partners to meet a year-end deadline to establish a single banking supervisor.

China

- » The non-manufacturing purchasing managers index (PMI) rose to 55.5 in October from 53.7 in the previous month.

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Confederation of Indian Industry

The Mantosh Sondhi Centre
23, Institutional Area, Lodi Road, New Delhi – 110 003 (India)
T: +91-11-24629994-7 • F: +91-11-24626149 • E: ecoresearch@cii.in • W: www.cii.in
Reach us via our Membership Helpline: 00-91-11-435 46244 / 00-91-99104 46244
CII Helpline Toll free No: 1800-103-1244