

Economy Update



» FORTNIGHTLY NEWSLETTER

» 4-17 February 2013

Dear Reader

Last week saw the release of two set of data prints- IIP and WPI inflation. While IIP disappointed by remaining in the negative territory for the second consecutive month in December 2012, WPI inflation encouragingly slipped below the psychological 7% mark in January 2013. Given the backdrop of such diverse set of data prints, the Union Budget due later during this month, will have to primarily focus on reviving growth which involves giving a boost to capital investment, fiscal consolidation, and removing the supply-side bottlenecks amongst other things. Fast-tracking the implementation of the pending industrial and infrastructure projects could be a starting point for this.

Chandrajit Banerjee

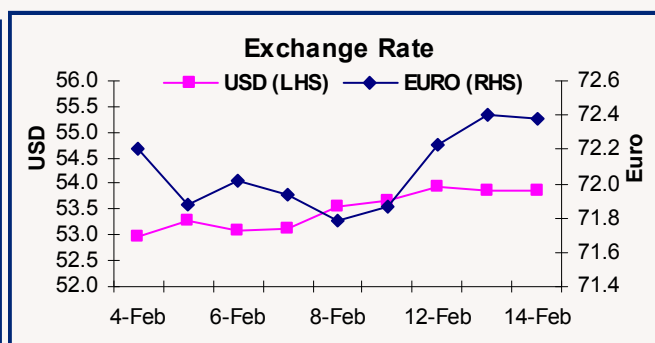
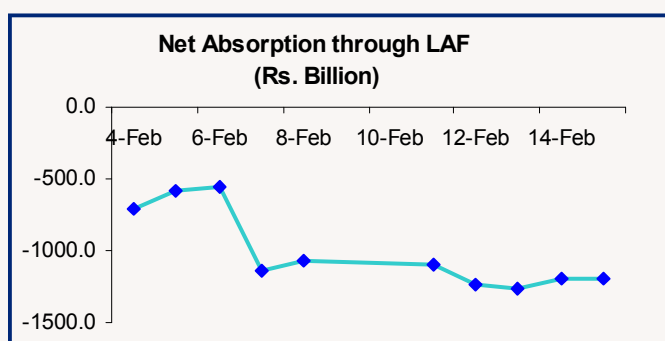
(Director-General, CII)

INDICATORS

- » In January 2013, the services sector grew at a brisk pace, with **Purchasing Managers' Index (PMI)** rising to a year's high of 57.5 points, against 55.6 points in the previous month. PMI for manufacturing, however, stood at a three-month low of 53.2 points, against 54.7 in December 2012. Combining both, the HSBC composite PMI stood at 56.3 points in January 2013, same as in December 2012.
- » **Index of Industrial Production (IIP)** continued to remain in the negative territory for the second consecutive month in December 2012 as it contracted by 0.6% as compared to a downwardly revised -0.8% in the previous month. In terms of industries, output in 12 out of 22 groups in manufacturing sector contracted during the month. The production of Mining, capital goods, Intermediate and consumer goods sector also contracted during the reference period. The only sectors that expanded were electricity and basic sectors.
- » **Wholesale Price Inflation (WPI)** reading of 6.6% for January 2013 (against 7.2% in December 2012) is the fourth consecutive monthly decline. Fuel inflation moderated sharply to 7.1% in January 2013 as compared to 9.4% in the previous month partly due to high base of last year. Inflation in manufacturing category softened to 4.8% in January 2013 as compared to 5.0% in the previous month.
- » **Foreign Exchange Reserves** as on 8 February, 2013 stood at US\$295.7 billion, down by US\$1.2 billion from that on 25 January 2013.
- » At the **Treasury Bills Auctions** held during the week, the YTM for 91-day T-Bills stood at 7.98%.
- » The **Call Money Rates** as on 15 February 2013 traded in the range of 6.75-7.90%.

POLICY DEVELOPMENTS

- » The Coal Ministry has said coal-based power plants with 16,000 MW capacity, entailing an investment of more than Rs 80,000 crore would be kept out of the coal price pooling mechanism, since they came up without any firm long-term linkage from Coal India Ltd.
- » The Shipping Ministry has urged the Finance Ministry for removal of counter vailing duty (CVD) on imported ships as most Indian shipping companies get their vessels manufactured outside the country.
- » The Civil Aviation Ministry has prepared a draft policy under which commercially unviable routes from 80 Tier-III towns and cities will be offered in auction to airlines that will have the monopoly to ply to these for two to three years.
- » State run Indian Oil Corporation has raised diesel prices by 45 paise a litre and petrol by Rs. 1.5 a litre to trim down its loss. Other oil companies are likely to follow the course soon.



BANKING INDICATORS

Indicators	Rs. Billion		
	Outstanding as on 25 January, 2013	% Variation over Fortnight	Year
Total Bank Credit	50,512.2	0.2	16.0
Food Credit	1,057.1	-0.7	27.2
Non Food Credit	49,455.2	0.2	15.8
Aggregate Deposit	65,271.2	-0.2	13.1
Broad Money (M3)	81,004.0	-0.1	12.7
Credit Deposit Ratio	77.4		

Source: RBI

EQUITY MARKETS

- » **Global share market** remained nearly stable due to mixed developments such as dip in the US manufacturing output and contraction in its trade deficit during January 2013; Euro Zone GDP shrank in Q4, 2012 while China emerged as the world's biggest trading nation, ending the US supremacy since 1945.
- » **Indian stocks** plunged over last two weeks as most of the indices exhibited poor performance.
- » **Total turnover** during 4-17 February 2013 on BSE stood at Rs. 19,598 crore and on NSE at Rs. 1,00,828 crore.

Global Stock Indices	Closing Value as on 15 February, 2013	Weekly Change (%)
NYSE: DJIA	13,973.4	0.8
FTSE 100	6,327.36	0.8
Nikkei 225	11,307.3	1.5
Straits Times	3,290.5	0.2
KOSPI	1,979.6	0.9

Source: Yahoo Finance

Net Institutional Activity

	Equity	Debt
Fortnightly FII (US\$ Million)	3,274.4	-112.8
Year -to-date FII (US\$ Million)	8,010.4	721.4
Fortnightly Mutual Funds [#] (Rs Crore)	-1,341.4	11,195.5

Source: SEBI

[#]as on 14 February, 2013

Indian Equity Indices	Closing Value as on 15 February, 2013	Weekly Change (%)
BSE SENSEX	19,497.2	-2.0
BSE 500	7,419.9	-3.2
S&P CNX NIFTY	5,897.0	-2.3
S&P CNX 500	4,650.4	-3.0

Source: NSE, BSE

COMMODITY MARKETS

- » **NYMEX West Texas Intermediate Crude Oil** on 15 February 2013 was US\$95.9 per barrel, down by US\$1.9 per barrel from the price on 1 February 2013.
- » **New York spot price for Gold** was US\$ 1,608.7 per ounce as on 15 February 2013, down by US\$59.7 per ounce from the price on 1 February 2013.

Commodity Spot Indices	Closing Value as on 16 February, 2013	Weekly Change (%)
MCX AGRI	3,279.2	-1.4
MCX METAL	5,169.5	0.3
MCX ENERGY	3,539.7	0.7
MCX COMDEX	3,963.5	0.2

Source: MCX, NCDEX

INDUSTRY NEWS

Aviation

» Two greenfield airports set up under the public PPP model in Karnataka will be opened for commercial use by July this year. The two new airports are currently under final stages of construction at Gulbarga and Shimoga. Besides, the state government has also initiated steps to modernise and expand existing airport at Hubli. The government has recently acquired 615 acres land for the same and handed over to the AAI.

Agriculture

» The recent estimates of agricultural production indicates that the overall food-grain output for 2012-13 (July-June) will be down by about 3.5% over the previous year due to deficient rainfall during the kharif crop. 250.14 million tonne of food-grains will be harvested this year as against a record of 259.32 million tonne produced last year. Though most of the major crops, except pulses, are likely to witness a drop compared to production last year, the bulk of the shortfall is accounted by the lower production of paddy and coarse cereals.

Electronics

» Bihar government to focus on the information technology and telecom hardware manufacturing sector. The state plans to declare it as a "thrust area".

BSE Indices	Closing Value as on 15 February, 2013	Weekly Change (%)
AUTO INDEX	10,789.6	-1.9
BANKEX	14,116.7	-3.2
BSE CAPITAL GOODS	9,776.1	-6.9
BSE CONSUMER DURABLE	7,252.1	-4.3
BSE FMCG	5,801.9	-2.0
BSE HEALTHCARE	7,923.1	-1.2
BSE INFOTECH	6,515.4	1.9
BSE MID CAP	6,608.4	-5.2
BSE SMALL CAP	6,583.1	-6.9
BSE TECK INDEX	3788.94	-0.2
METAL INDEX	9,916.6	-6.5
OIL & GAS INDEX	9,002.9	-3.8

Source: BSE

CNX Segment Indices	Closing Value as on 15 February, 2013	Weekly Change (%)
CNX NIFTY Junior	11,844.4	-3.5
CNX MIDCAP	7,895.4	-5.6
BANK NIFTY	12,311.3	-3.1
CNX IT	6,900.4	1.8
CNX Realty	262.2	-11.1
CNX Infrastructure	2,366.7	-7.6

Source: NSE

GLOBAL NEWS

US

- » In the week ending February 9, the advance figure for seasonally adjusted initial claims of unemployment benefits were 341,000, a decrease of 27,000 from the previous week's revised figure of 368,000. The 4-week moving average was 352,500, an increase of 1,500 from the previous week's revised average of 351,000.
- » US manufacturing output fell by 0.4% in January 2013 after rising by 1.1% in December 2012. The dip is largely due to drop in auto production.
- » The trade deficit in the US narrowed by 20.7% to US\$38.5 billion in December 2012 due to record petroleum exports.

Europe

- » The Euro Zone recession deepened more than the projection; it is the worst performance in almost four years as its three biggest economies suffered slumping output. GDP fell by 0.6% in the Q4, 2012 from the previous three months. European Central Bank however, expects a gradual recovery beginning later this year.

China

- » China surpassed the US to become the world's biggest trading nation last year, ending the US supremacy in global trade since 1945. US exports and imports last year totaled US\$3.82 trillion, while China's total trade in 2012 amounted to US\$3.87 trillion. China had a US\$231.1 billion annual trade surplus whereas, the US had a trade deficit of US\$727.9 billion.

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