Confederation of Indian Industry

Economy Monitor

February 2012

Moderation in inflation and recovery in capital inflows have emerged as positive developments that may lead to an improvement in the domestic economic scenario. The global economic outlook has also stabilized with signs of recovery in the US economy together with moves towards resolution of the Greek crisis.

However, lackluster performance of industrial sector continues to remain a major worry with IIP growth plummeting to 1.8%. Corporate results for Q3 2011-12 reflect that despite high sales growth, profit growth has slumped in almost all the sectors, primarily due to higher interest costs and higher input prices.

ECONOMIC INDICATORS

Economic & Industrial Growth

Economic Growth	LATEST PERIOD	PREVIOUS PERIOD
India GDP growth (%)[1]	6.9	7.7
China GDP growth (%)[2]	9.2	9.4
US GDP growth (%)[3]	2.8	1.8
EU27 GDP growth (%)[3]	-0.3	0.3
Japan GDP growth (%)[3]	-0.6	1.7

Industrial Production	LATEST PERIOD	PREVIOUS PERIOD
IIP (% yoy)[4]	1.8	5.9
Electricity (% yoy)[4]	9.1	14.6
Passenger vehicles (% yoy)[5]	13.4	-0.1
Commercial vehicles (% yoy)[5]	17.0	10.9
Cement production (% yoy)[4]	13.3	16.6
Steel production (% yoy)[4]	2.2	5.1

Money Market & Inflation

Interest Rates & Inflation	LATEST PERIOD	PREVIOUS PERIOD
Repo rate (%)[6]	8.50	8.50
Base rate (%)[6]	10.75	10.75
Yield on 10 yr govt securities (%)[7]	8.28	8.28
Inflation (%)[8]	6.5	7.5
Food inflation (%)[8]	-0.5	0.7

Money Statistics	LATEST PERIOD	PREVIOUS PERIOD
Bank credit (% yoy)[9]	16.4	17.0
Food credit (% yoy)[9]	35.8	35.1
Non-Food credit (% yoy)[9]	16.2	16.7
Deposits (% yoy)[9]	15.7	17.2
M3 supply (% yoy)[9]	14.4	15.8

Trade & Balance of Payments

Current account	LATEST PERIOD	PREVIOUS PERIOD
Export growth (% yoy)[10]	6.7	3.9
Import growth (% yoy)[10]	19.8	24.6
Oil import growth (% yoy)[10]	11.2	32.3
Non-oil import growth (%)[10]	23.4	21.7
Trade balance (US$ Bn)[10]	-12.7	-13.6

Capital account	LATEST PERIOD	PREVIOUS PERIOD
ECB/FCCB flows (US$ Bn)[10]	4.5	1.6
FII flows (US$ Bn)[10]	2.3	0.1
FDI flows (US$ Bn)[10]	1.4	2.5
Forex reserves (US$ Bn)[11]	292.5	302.1
Exchange rate (RS/ US$)[12]	51.3	52.7

1. GDPfc Y-o-Y Growth July-September 2011, April-June 2011. 2. GDPfc Y-o-Y Growth October-December 2011, July-September 2011. 3. Q-o-Q Growth Rate October—December 2011, July-September 2011. 4. December 2011, November 2011. 5. January 2012, December 2011. 6. January 2012, December 2011. 7. Week ended 10th February 2012, 16th January 2011. 8. January 2012, December 2011. 9. As on 27th January 2012, 13th January 2012. 10. December 2011, November 2011. 11. As on 13th January 2012, 16th December 2011. 12. Average January 2011, December 2011.

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INDUSTRY SNAPSHOT

		Market Cap (US$ Billion)			Net Sales Growth (y-o-y)			Profit Growth (y-o-y)	
		Jan end 2012	Dec end 2011		Q3 2011-12	Q2 2011-12		Q3 2011-12	Q2 2011-12
Auto & Auto Parts	↑	30.63	27.38	↓	7.48	9.75	↑	-3.93	-12.48
Bank & FS[1]	↑	149.43	120.76	↓	34.08	36.30	↑	7.69	6.64
Capital Goods[2]	↑	6.74	5.73	↓	10.21	23.86	↓	-3.87	-0.37
Construction & Const. Material[3]	↑	34.52	27.95	↑	25.02	19.59	↑	19.93	14.82
Consumer Durables	↑	7.35	6.23	↓	30.50	35.73	↑	13.84	-7.08
Fertilizer & Chemicals	↑	17.77	15.32	↑	21.52	12.96	↑	15.86	4.84
FMCG	↑	50.48	47.59	↓	13.56	19.78	↓	15.62	17.97
Health Care & Pharma	↑	18.45	16.94	↓	15.34	21.98	↓	-30.96	-4.26
IT & Telecom[4]	↑	120.13	114.83	↑	25.86	20.86	↓	27.12	28.16
Media & Entertainment[5]	↑	5.28	4.79	↓	8.27	12.70	↓	-15.70	-13.13
Metals & Minerals	↑	55.41	44.50	↓	19.47	32.83	↓	0.08	8.14
Oil & Gas[6]	↑	66.93	57.41	↑	40.57	36.49	↓	-9.98	12.91
Power[7]	↑	57.91	52.06	↓	13.52	18.06	↓	-10.25	18.57
Textiles, Paper, Leather, Rubber & Wood	↑	6.09	5.60	↓	7.67	17.27	↑	-8.62	-14.37
Overall[8]	↑	632.11	551.45	↔	26.70	27.24	↓	4.71	10.35

1. Includes Public & Pvt banks, Finance- Housing, Investment, NBFC, Stock Broking, Term Lending & Ratings. **2.** Includes Engineering, Electrodes & Welding Equipment & components, Electronics Components, Abrasives, Bearings, Cables, Fasteners, Railway Wagons, Textile Machinery. **3.** Includes Cement & Construction Material, Ceramics, Granite, Marble, Sanitary ware, glass, Construction real estate & Engineering, Refractories **4.** Includes BPO/ITeS, IT- Education, Hardware, Networking, Software, Telecom Equipment & Service Providers **5.** Includes Animation, Film Production, Distribution & Entertainment, Photographic Products, Printing & Publishing, TV Broadcasting & Software Production. **6.** Includes Gas Transmission/ Marketing, Industrial Gases/ Fuels, Oil Exploration, Petrochemicals, Refineries & Lubricants **7.** Includes Electric Equipment, Power Generation, Distribution, Transmission Towers & Equipment. **8.** Also Includes Hotels & Retail, Packaging & Logistics. (Data for 586 companies as on 6th February 2012)

ABOUT CII

The Confederation of Indian Industry (CII) works to create and sustain an environment conducive to the growth of industry in India, partnering industry and government alike through advisory and consultative processes.

CII is a non-government, not-for-profit, industry led and industry managed organisation, playing a proactive role in India's development process. Founded over 116 years ago, it is India's premier business association, with a direct membership of over 8100 organisations from the private as well as public sectors, including SMEs and MNCs, and an indirect membership of over 90,000 companies from around 400 national and regional sectoral associations.

CII catalyses change by working closely with government on policy issues, enhancing efficiency, competitiveness and expanding business opportunities for industry through a range of specialised services and global linkages. It also provides a platform for sectoral consensus building and networking. Major emphasis is laid on projecting a positive image of business, assisting industry to identify and execute corporate citizenship programmes. Partnerships with over 120 NGOs across the country carry forward our initiatives in integrated and inclusive development, which include health, education, livelihood, diversity management, skill development and water, to name a few.

CII has taken up the agenda of "Business for Livelihood" for the year 2011-12. This converges the fundamental themes of spreading growth to disadvantaged sections of society, building skills for meeting emerging economic compulsions, and fostering a climate of good governance. In line with this, CII is placing increased focus on Affirmative Action, Skills Development and Governance during the year.

With 63 offices including 10 Centres of Excellence in India, and 7 overseas offices in Australia, China, France, Singapore, South Africa, UK, and USA, as well as institutional partner-

ABOUT ERG

The Economic Research Group regularly tracks economic, political and business developments within India and abroad to comment on the emerging economic scenario for the Indian corporate sector. It tracks policy developments, offers comprehensive analysis of industries and comments on and analyzes the economic climate through its publications–CII Economy Update, CII Economy Watch, CII Business Outlook Survey, CII ASCON Survey and the Industry series.

Confederation of Indian Industry

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