Confederation of Indian Industry

Economy Monitor

September 2012 | Volume 1 | Issue 9

Domestic conditions have weakened further in the second-quarter of the current fiscal as manifested by sluggish growth in industrial output and exports. Inflation, on the other hand, has remained sticky at around 7.5 per cent. Further, the recent fuel price revisions and firming of international crude oil prices pose a significant upside risk to the headline print in the months to come. Meanwhile, with the progressive reduction in rainfall deficit, *kharif* sowing, though still below normal, has improved. The RBI has responded by reducing the CRR in its mid-quarter review while holding the repo rate due to the pending signs of some reversal in inflationary pressure.

Corporate sector performance in the first-quarter of 2012-13 has remained poor so far. Out of the 1,280 listed companies which have declared their results till 11 September 2012, on an aggregate basis, both the top-line and bottom-line have witnessed contraction.

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ECONOMIC INDICATORS

Economic & Industrial Growth

Economic Growth		LATEST PERIOD	PREVIOUS PERIOD
India GDP growth (%)[1]	↑	5.5	5.3
China GDP growth (%)[2]	↓	7.6	8.1
US GDP growth (%)[3]	↓	1.5	2.0
EU27 GDP growth (%)[3]	↓	-0.2	0.0
Japan GDP growth (%)[3]	↓	0.3	1.3

Industrial Production		LATEST PERIOD	PREVIOUS PERIOD
IIP (% yoy)[4]	↑	0.1	-1.8
Electricity (% yoy)[4]	↓	2.8	8.8
Passenger vehicles (% yoy)[5]	↓	-5.7	-2.7
Commercial vehicles (% yoy)[5]	↓	-4.1	-5.6
Cement production (% yoy)[4]	↓	3.8	10.7
Steel production (% yoy)[4]	↑	4.5	-0.5

Money Market & Inflation

Interest Rates & Inflation		LATEST PERIOD	PREVIOUS PERIOD
Repo rate (%)[6]	↔	8.0	8.0
Base rate (%)[6]	↔	10.3	10.3
Yield on 10 yr govt securities (%)[6]	↔	8.2	8.3
Inflation (%)[7]	↑	7.6	6.9
Food inflation (%)[7]	↓	9.1	10.1

Money Statistics		LATEST PERIOD	PREVIOUS PERIOD
Bank credit (% yoy)[8]	↔	16.7	17.2
Food credit (% yoy)[8]	↓	31.6	38.8
Non-Food credit (% yoy)[8]	↔	16.4	16.9
Deposits (% yoy)[8]	↔	14.1	13.8
M3 supply (% yoy)[8]	↔	13.7	13.5

Trade & Balance of Payments

Current Account		LATEST PERIOD	PREVI-OUS PE-RIOD
Export growth (% yoy)[9]	↓	-14.8	-5.5
Import growth (% yoy)[9]	↓	-7.6	-13.5
Oil import growth (% yoy)[9]	↓	-5.5	-4.4
Non-oil import growth (%)[9]	↓	-8.6	-17.8
Trade balance (US$ Bn)[9]	↓	-15.3	-10.3

Capital Account		LATEST PERIOD	PREVIOUS PERIOD
ECB/FCCB flows (US$ Bn)[9]	↓	1.1	2.0
FII flows (US$ Bn)[9]	↑	2.1	-0.4
FDI flows (US$ Bn)[9]	↔	1.5	1.6
Forex reserves (US$ Bn)[10]	↑	290.5	289.2
Exchange rate (RS/ US$)[11]	↔	55.6	55.5

1. GDPfc Y-o-Y Growth April-June 2012, January-March 2011. 2. GDPfc Y-o-Y Growth April-June 2012, January-March 2012 3. Q-o-Q Growth Rate April-June 2012, January-March 2012. 4. July 2012, June 2012 . 5. August 2012, July 2012. 6. August 2012, July 2012. 7. August 2012, July 2012. 8. As on 24 August 2012, 27th July 2012. 9. July 2012, June 2012 10. As on 31st August 2012, 3rd August 2012. 11. Average August 2012, July 2012.

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INDUSTRY SNAPSHOT

		Market Cap (US$ Billion)			Net Sales Growth (y-o-y)			Profit Growth (y-o-y)	
		August end 2012	July end 2012		Q1 2012-13	Q4 2011-12		Q1 2012-13	Q4 2011-12
Auto & Auto Parts	↔	62.5	61.8	↓	12.7	17.4	↓	-0.4	14.6
Bank & Financial Institutions[1]	↓	174.9	179.3	↓	24.5	31.3	↓	29.0	42.9
Capital Goods[2]	↔	11.9	11.9	↓	5.1	9.5	↑	15.5	-7.5
Construction & Const. Material[3]	↔	62.5	63.9	↑	18.0	16.6	↑	17.9	-5.5
Consumer Durables	↔	13.3	13.4	↓	9.3	18.9	↓	-14.2	-4.1
Fertilizer & Chemicals	↔	20.3	19.7	↓	20.5	43.5	↓	-5.5	14.0
FMCG	↑	102.7	97.0	↓	14.4	19.1	↑	24.6	12.4
Health Care & Pharma	↑	51.5	49.5	↑	23.6	20.4	↓	17.0	42.3
IT & Telecom[4]	↑	133.3	129.9	↑	20.4	17.3	↑	24.2	8.2
Media & Entertainment[5]	↔	8.1	7.8	↑	10.1	6.1	↑	19.7	3.2
Metals & Minerals	↓	110.4	114.5	↔	10.8	10.3	↓	-19.9	-12.4
Oil & Gas[6]	↔	109.4	109.1	↓	17.2	18.8	↓	7.3	12.4
Power[7]	↔	77.5	77.6	↓	11.1	14.8	↓	-2.1	9.0
Textiles, Paper, Leather, Rubber & Wood	↔	6.0	6.2	↑	17.7	14.0	↔	-7.4	-8.1
Overall[8]	↑	983.5	980.6	↓	13.9	17.2	↓	9.3	12.2

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 Electri Equipment, Power Generation, Distribution, Transmission Towers & Equipment. **8.** Also Includes Hotels & Retail, Packaging & Logistics. (Results of 1,280 listed companies as on 11th September 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 117 years ago, it is India's premier business association, with a direct membership of over 6600 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 partnerships with 223 counterpart organisations in 90 countries, CII serves as a reference point for Indian industry and the international business community.

ABOUT CII Research

CII Research 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.

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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