

Economy Update



» FORTNIGHTLY NEWSLETTER

» 18 Feb-3 Mar 2013

Dear Reader

CII has welcomed the Union Budget 2013-14, which is growth and investment oriented. Coming against the backdrop of challenging global and domestic macro-economic conditions, the Budget makes laudable efforts to optimise growth drivers while addressing imperatives of inclusion. In a welcome change from fiscal slippage on other occasions, the fiscal deficit has been contained at 5.2% of GDP in 2012-13 and targeted at 4.8% of GDP for 2013-14. While addressing fiscal consolidation, it focuses on inclusive and sustainable human development. Commendable initiatives have been taken in critical sectors such as agriculture, investment in manufacturing and infrastructure, MSME growth and capital market development among others.

Chandrajit Banerjee

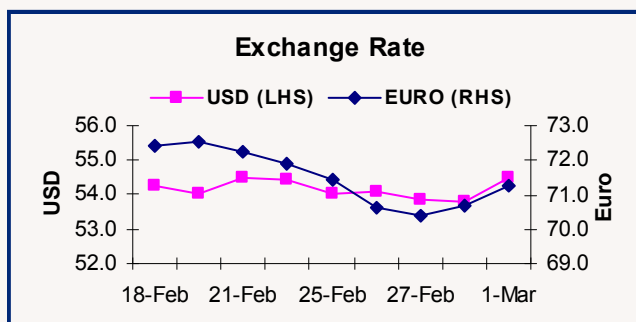
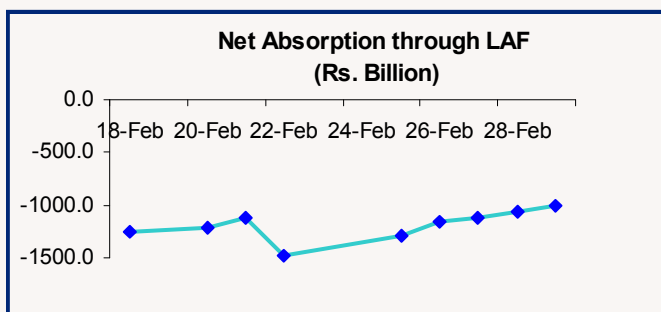
(Director-General, CII)

INDICATORS

- » The **Eight core industries Index** in January 2013 grew by 3.9% as compared to 2.2% in January 2012. Though there is a growth but still it is low. The low growth in January 2013 was on account of negative growth seen in the production of Crude Oil, Natural Gas, Fertilizers and Cement. During April-January 2013, the cumulative growth rate of the core industries was 3.2%, against 5.0% in the same period last year.
- » **Quarterly GDP for Q3, 2012-13** grew by 4.5% over the corresponding quarter of previous year. This is lower than the 6.0% reported in Q3, 2011-12 on account of decline mainly in the output of agriculture and allied activities; electricity, gas & water supply and financing institutes, real estate and business services. Only two sectors showed some improvement— manufacturing and mining & quarrying. Manufacturing sector grew by 2.5% against 0.7%. Mining sector growth remained in negative (-1.4%) but slightly better than last year (-2.6%).
- » The **Rabi crops** have been sown in 631.67 lakh hectare as compared to 629.86 lakh hectare last year. On an average, 619.9 lakh hectare has been sown in the last five years. Wheat has been sown in approximately the same area as last year (298.4 lakh ha), while there has been improvement in area under coarse cereals (63.8 lakh ha), pulses (151.7 lakh ha) and oilseeds (88.9 lakh ha). Area under rice has contracted to 28.9 lakh ha during 2012-13.
- » **Foreign Exchange Reserves** as on 1 March, 2013 stood at US\$291.9 billion, down by US\$3.8 billion from that on 8 February 2013.
- » At the **Treasury Bills Auctions** held during the week, the YTM for 91-day T-Bills stood at 8.10%.
- » The **Call Money Rates** as on 1 March 2013 traded in the range of 6.4-7.9%.

POLICY DEVELOPMENT

- » To improve the business environment and the ease of doing business in the country, the DIPP, Ministry of Commerce & Industry has launched the eBiz portal on 28 January 2013 comprising Licenses and Permits Services component that will allow business users to obtain a customized list of licenses, permits, and regulations that they require or need to comply with across all levels of government.
- » Government increased petrol price by Rs 1.40 per litre with effect from Friday midnight (1 March 2013).
- » Budget 2013-14 has raised income tax rebate on 1st housing loan of amount up to Rs. 25 lakh from Rs. 1.5 lakh to Rs. 2.5 lakh and imposed additional surcharge of 10% on entities/individuals earning Rs. 1 crore or more per annum.
- » Budget 2013-14 hinted at a possible PPP partnership with Coal India Ltd to improve coal supply to power plants.



BANKING INDICATORS

Indicators	Rs. Billion		
	Outstanding as on 8 February, 2013	% Variation over Fortnight	Year
Total Bank Credit	50,990.0	1.0	16.4
Food Credit	1,087.3	2.9	33.3
Non Food Credit	49,911.7	0.9	16.0
Aggregate Deposit	65,708.7	0.7	13.2
Broad Money (M3)	81,600.0	0.7	12.7
Credit Deposit Ratio	77.6		

Source: RBI

EQUITY MARKETS

- » **Global share market** picked up marginally owing to mixed developments—marginal growth in the US GDP during the period October-December 2012 and decline in inflation in Euro Zone during February 2013. However, unemployment level remained high (January 2013) and manufacturing output (Markit PMI Index) remained nearly stagnant in Euro Zone (February 2013).
- » **Indian stocks** plunged over last two weeks as most of the indices exhibited poor performance.
- » **Total turnover** during 18 February-1 March 2013 on BSE stood at Rs. 18,328 crore and on NSE at Rs. 1,03,766 crore.

Global Stock Indices	Closing Value as on 1 March, 2013	Weekly Change (%)
NYSE: DJIA	14,054.5	0.6
FTSE 100	6,360.8	0.5
Nikkei 225	11,559.4	2.2
Straits Times	3,270.0	-0.6
KOSPI	2,004.0	1.2

Source: Yahoo Finance

Net Institutional Activity

	Equity	Debt
Fortnightly FII (US\$ Million)	387.2	714.7
Year -to-date FII (US\$ Million)	8,397.6	1,436.1
Fortnightly Mutual Funds [#] (Rs Crore)	487.9	21,938.7

Source: SEBI

[#]as on 28 February, 2013

Indian Equity Indices	Closing Value as on 1 March, 2013	Weekly Change (%)
BSE SENSEX	18,918.5	-3.0
BSE 500	7188.55	-3.1
S&P CNX NIFTY	5,693.1	-3.5
S&P CNX 500	4,477.5	-3.7

Source: NSE, BSE

COMMODITY MARKETS

- » **NYMEX West Texas Intermediate Crude Oil** on 1 March 2013 was US\$90.7 per barrel, down by US\$5.2 per barrel from the price on 15 February 2013.
- » **New York spot price for Gold** was US\$ 1,572.5 per ounce as on 1 March 2013, down by US\$36.2 per ounce from the price on 15 February 2013.

Commodity Spot Indices	Closing Value as on 2 March, 2013	Weekly Change (%)
MCX AGRI	3,194.9	-2.6
MCX METAL	4,918.3	-4.9
MCX ENERGY	3,409.5	-3.7
MCX COMDEX	3,801.3	-4.1

Source: MCX, NCDEX

INDUSTRY NEWS

Ports

- » Budget 2013-14 has proposed establishment of two new major ports. One each in Sagar, West Bengal and in Andhra Pradesh to add 100 million tonnes of capacity. Further, a new outer harbour to be developed in the VOC port at Thoothukkudi, Tamil Nadu through PPP at an estimated cost of Rs. 7,500 crore.

Textiles

- » Technology Upgradation Fund Scheme to continue in 12th Plan with an investment target of Rs.1,51,000 crore (Budget 2013-14). Proposed allocation of Rs.50 crore to Ministry of Textile to incentivise setting up Apparel Parks within the SITPs to house apparel manufacturing units. Working capital and term loans at a concessional interest of 6% to handloom sector. Scheme of Fund for Regeneration of Traditional Industries extended to 800 clusters during the 12th Plan.

Banking

- » Budget 2013-14 proposed that all branches of public sector banks will have ATM by March 2014. Proposed to set up India's first Women's Bank as a PSU bank with an initial capital of Rs.1,000 crore. Provided Rs. 6,000 crore to Rural Housing Fund (2013-14). Also, National Housing Bank to set up Urban Housing Fund, Rs. 2,000 crore to be provided in 2013-14.

BSE Indices	Closing Value as on 1 March, 2013	Weekly Change (%)
AUTO INDEX	10,615.6	-1.6
BANKEX	13,241.9	-6.2
BSE CAPITAL GOODS	9,333.3	-4.5
BSE CONSUMER DURABLE	7,401.5	2.1
BSE FMCG	5,664.3	-2.4
BSE HEALTHCARE	7,819.1	-1.3
BSE INFOTECH	6,763.1	3.8
BSE MID CAP	6,321.0	-4.3
BSE SMALL CAP	6,195.3	-5.9
BSE TECK INDEX	3888.5	2.6
METAL INDEX	9,124.8	-8.0
OIL & GAS INDEX	8,644.6	-4.0

Source: BSE

CNX Segment Indices	Closing Value as on 1 March, 2013	Weekly Change (%)
CNX NIFTY Junior	11,457.8	-3.3
CNX MIDCAP	7,540.4	-4.5
BANK NIFTY	11,487.4	-6.7
CNX IT	7,106.7	3.0
CNX Realty	257.2	-1.9
CNX Infrastructure	2,299.9	-2.8

Source: NSE

GLOBAL NEWS

USA

- » In the week ending February 23, the advance figure for seasonally adjusted initial claims of unemployment benefits were 344,000, a decrease of 22,000 from the previous week's revised figure of 366,000. The 4-week moving average was 355,000, a decrease of 6,750 from the previous week's revised average of 361,750.
- » US GDP expanded barely at an annual rate of 0.1% in Q4 2012, which is far below the growth needed to get unemployment back to normal. The growth was depressed due to decline in military spending (possibly in anticipation of the across-the-board spending cuts that are to begin from 1 March 2013).

Europe

- » Markit Manufacturing Purchasing Managers Index stood at 47.9 points in February, unchanged from January 2013, showing that the Euro-zone remained in the doldrums for a 19th consecutive month. Unemployment rose to a record 11.9% in January from 11.8% in December, nearly 19 million people out of work. However, inflation fell to 1.8% in February, below the European Central Bank's target rate for the first time in more than two years.

China

- » China's factory growth dropped in February 2013 due to dip in domestic demand, slack in foreign sales and the patchiness in country's economic recovery. Official PMI eased to 50.1 in February 2013 from January's reading of 50.4.

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