

Economy Update



» WEEKLY NEWSLETTER

» 19-25 March 2012

Dear Reader,

Industry had expressed concerns on the retrospective amendments to the Income Tax Act. The Finance Minister's reply at the CII National Council meeting that the intention was not to open old cases but to protect investors from double taxation was reassuring. Further, industry is optimistic that the Finance Minister would address the concerns on the implementation of GAAR expressed by industry before DTC is legislated in the coming year.

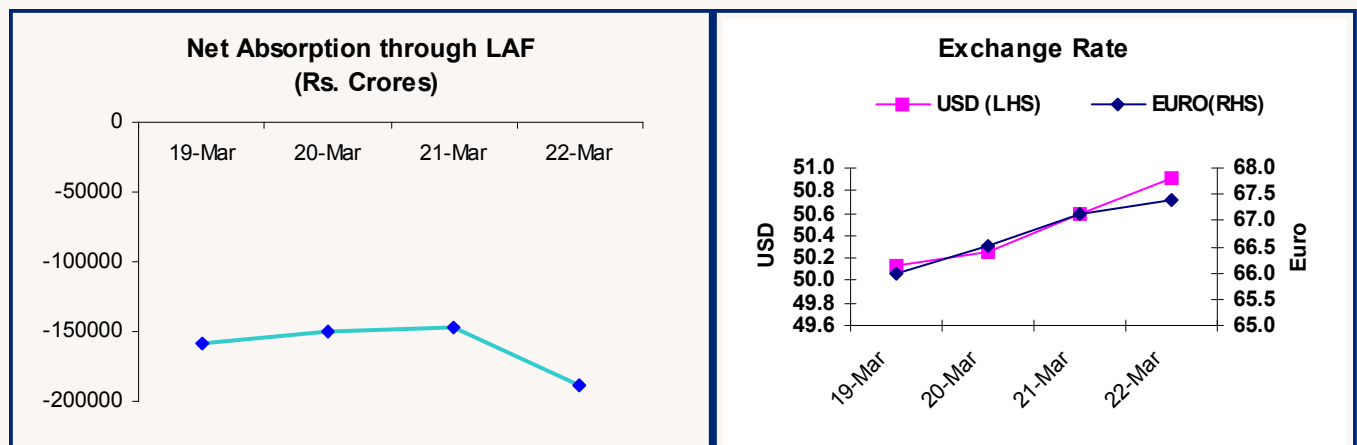
Chandrajit Banerjee
(Director General, CII)

INDICATORS

- » India's **Tax to GDP** ratio stood at 10.1% in 2011-12, falling marginally from 10.3% in 2010-11. The budgeted tax to GDP ratio for 2012-13 stands at 10.6%.
- » Central plan Outlay on Infrastructure for 2011-12 stood at Rs79,240 crore (26% of plan outlay). For 2012-13 the budgeted central plan outlay on infrastructure stands at Rs 1,01,107 crore (28% of plan outlay)
- » **Foreign Exchange Reserves** as on March 16, 2012 stood at US\$ 294.8 billion, decreasing by US\$ 0.9 billion from the previous week.
- » The **call money rates** as on March 23, 2012 traded in the range of 7.9-10.0%.
- » At the **Treasury bills auctions** held during the week, the YTM for 91-day T-Bills stood at 9.0%.
- » One year LIBOR for US\$ as on 21 March, 2012 stood at 1.05%

Policy Development

- » The Central Board of Direct tax (CBDT), India's apex body for administration of taxes, has formed a six member committee to draft guidelines for enforcing the general anti-avoidance rules (GAAR) introduced in the Union budget.
- » Petroleum Minister S. Jaipal Reddy hinted at the prospect of raising the prices of petroleum products at a time when state run oil marketing companies (OMCs) are struggling with rising crude oil prices.
- » The Government has decided to dismantle the Specified Undertaking of the Unit Trust of India (SUUTI) and transfer its sizeable assets under management to a new entity in a move that may help it meet its disinvestment target.



BANKING INDICATORS

Indicators	Rs. Billion		
	Outstanding as on 9 March,2012	% Variation over Fortnight	Year
Total Bank Credit	44,866.8	0.7	13.8
Food Credit	838.4	0.0	14.1
Non Food Credit	43,243.1	0.8	26.9
Aggregate Deposit	58,533.7	0.3	14.3
Broad Money (M3)	72,830.4	0.2	13.5
Credit Deposit Ratio	76.7		

Source: RBI

EQUITY MARKETS

- » Globally, the trend in bourses remained mixed as weak economic indicators from China, Germany and France weighed on market sentiments.
- » On 23 March 2012, BSE SENSEX and S&P CNX NIFTY dropped by 0.6% and 0.7% respectively on a weekly basis. The rupee also slipped after a spike in global risk aversion triggered fears of foreign selling at a time of waning confidence in a struggling government. The outcry over a reported US\$ 211 billion loss in revenue from sale of coalfields, according to a leaked report from CAG office also led the markets to close on a negative note.
- » Total turnover during the week on BSE stood at Rs. 14,896 crore and on NSE at Rs. 66,302 crore.

Global Stock Indices	Closing Value as on 23 March 2012	Weekly Change (%)
NYSE: DJIA	13,080.7	-1.1
FTSE 100	5,854.9	-1.9
Nikkei 225	10,011.5	-1.2
Straits Times	2,990.1	-0.7
KOSPI	2,026.8	-0.4

Source: Yahoo Finance

Net Institutional Activity		
	Equity	Debt
Weekly FII (US \$ Million)	387.4	-144.1
Year -to-date FII (US\$ million)	8,992.9	4,566.3
Weekly Mutual Funds# (Rs Crore)	-198.4	24,729.2

Source: SEBI
2012

#as on 15 March,

Indian Equity Indices	Closing Value on 23 March 2012	Week's % Change
BSE SENSEX	17,361.7	-0.6
BSE 500	6,737.9	-0.6
S&P CNX NIFTY	5,278.2	-0.7
S&P CNX 500	4,202.3	-0.6

Source: NSE, BSE

COMMODITY MARKETS

- » NYMEX West Texas Intermediate Crude Oil for April delivery stood at US\$ 106.9 per barrel on 23 March 2012, down by US\$ 0.2 per barrel from the previous week.
- » New York spot price for Gold was US\$ 1,662.5 per ounce as on 23 March 2012, up by US\$ 6.4 per ounce from the previous week.

Commodity Spot Indices	Closing Value as on 24 March 2012	Week's % Change
MCX AGRI	3,652.6	-0.9
MCX METAL	4,829.2	-1.1
MCX ENERGY	3,472.3	1.0
MCX COMDEX	3,878.9	-0.3

Source: MCX, NCDEX

INDUSTRY

Auto

» Maruti Suzuki's capital expenditure is expected to rise by 41% to about Rs 4,100 crore in 2012-13. The company finalized Rs 1,700 crore investment for doubling the diesel engine capacity at its Gurgaon facility to six lakh units by 2014.

» The country's largest car maker Maruti Suzuki India Ltd (MSIL) has increased the prices of its vehicles by up to Rs 17,000 following the rise in excise duty in the Budget.

Oil and Gas

» ONGC's overseas exploration arm ONGC Videsh Ltd (OVL) will see its first ever decline in production this year on account of geopolitical factors in Sudan and Syria. In the first three quarters of the current financial year, the company's production dropped over 4% to 6.76 million tones of oil and oil equivalent gas against 7.06 million tones in the corresponding period last year.

Aviation

» Cash-strapped Kingfisher Airlines has agreed to pay only up to Rs 10 crore of its Rs 76 crore service tax dues this financial year.

BSE Indices	Closing Value on 23 March 2012	Week's % Change
AUTO INDEX	9,998.6	-1.3
BANKEX	11,860.4	-2.8
BSE CAPITAL GOODS	10,111.8	-4.2
BSE CONSUMER DURABLE	6,469.2	-0.8
BSE FMCG	4,403.3	4.7
BSE HEALTHCARE	6,466.8	-0.3
BSE INFOTECH	6,095.1	0.2
BSE MID CAP	6,350.9	-0.9
BSE SMALL CAP	6,626.4	-2.3
BSE TECK INDEX	3,569.1	0.0
METAL INDEX	11,223.4	-4.7
OIL & GAS INDEX	8,059.1	-5.4

Source: BSE

CNX Segment Indices	Closing Value on 23 March 2012	Week's % Change
CNX NIFTY Junior	10,297.9	-0.3
CNX MIDCAP	7,671.4	0.4
BANK NIFTY	10,294.6	-0.9
CNX IT	6,532.2	0.5
CNX Realty	240.8	-0.5
CNX Infrastructure	2,520.8	-1.4

Source: NSE

GLOBAL NEWS

USA

- » In the week ending 17 March, the advance figure for seasonally adjusted initial claims was 348,000, a decrease of 5,000 from the previous week's revised figure of 353,000.

Europe

- » In the construction sector, seasonally adjusted production fell by 0.8% in the Euro Area (EA 17) and by 4.1% in the EU 27 in January 2012, compared with the previous month. In December 2011, production decreased by 1.9% and 3.8% respectively..

Asia

- » China's industrial activity as depicted by the HSBC PMI shows that economic momentum slowed in March as factory activity shrank for a fifth straight month. HSBC PMI fell back to 48.1 in March from 49.6 recorded in February.
- » China is setting up a US\$ 1 billion fund with the Inter-American Development Bank to make equity investments in latin America.

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