

Economy Update



» FORTNIGHTLY NEWSLETTER

» 6-19 May 2013

Dear Reader

The continued sluggish growth in industrial production coupled with moderation in WPI inflation has raised hopes for an interest rate cut by the RBI in the days to come. Amongst the broad sectors of IIP, capital goods production has shown some growth but it is doubtful whether this can be sustained. Consequently, apart from the monetary easing, there is an urgent need to fast track project clearances by the cabinet committee on investment, address supply bottlenecks and carry out reforms to promote competition in the mining sector.

Chandrajit Banerjee

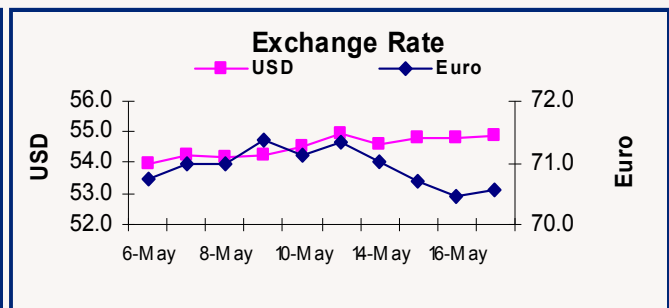
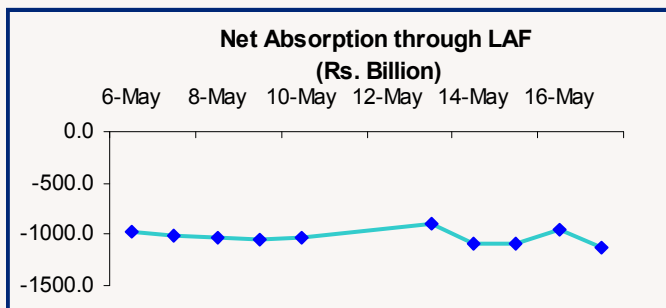
(Director-General, CII)

INDICATORS

- » **Index of Industrial Production (IIP)** helped by a low base, rose to 2.5% in March 2013 as compared to an anemic 0.5% in the previous month. With this the cumulative industrial growth in 2012-13 stood at 1.0% as compared to 2.9% in 2011-12. Manufacturing sector grew by 3.2% in March 2013, taking its full year growth to 1.2%. Electricity production grew by 3.2% in March 2013 as compared to 2.7% last year. Highest growth had been observed in capital goods and non-durables consumer goods segment of over 6.5% in March 2013, against insignificant growth in the same period last year.
- » **Wholesale Price Index (WPI)** for the all commodities grew by 4.9% in April 2013 as compared to 7.5% in the same period last year owing to decline in all three major heads- Primary article, Manufactured goods and Fuel and power. Primary article declined to half from nearly 10% to 5.8%, fuel and power from 12.1% to 8.8% and manufactured products from 5.3% to 3.4% in April 2013.
- » Provisional annual inflation rate based on all India general **Consumer Price Index (Combined)** for April 2013 stood at 9.4% on y-o-y basis as compared to 10.4% (final) in March 2013. The corresponding provisional inflation rates for rural and urban areas for April 2013 were 9.2% and 9.7% respectively. Inflation rates for rural and urban areas for March 2013 were 10.4% and 10.4% respectively.
- » **Foreign Exchange Reserves** as on 10 May 2013 stood at US\$293.7 billion, down by US\$2.7 billion from that on 26 April 2013.
- » At the **Treasury Bills Auctions** held during the week, the YTM for 91-day T-Bills stood at 7.31%.
- » The **Call Money Rates** as on 18 May 2013 traded in the range of 6.25-7.35 per cent.

POLICY DEVELOPMENTS

- » Petroleum and Natural Gas Regulatory Board (PNGRB) to clear the third round of city gas distribution soon. The technical bids have been received, while, the financial bids are to be opened. The board would first open technical bids for Asansol, Durgapur and Ludhiana, followed by price bids for all seven cities in June or July.
- » Government of Ministers on PSU reforms to meet on 22 May 2013. Reforms are aimed at strengthening the performance, transparency and efficiency of public sector enterprises
- » Finance Minister implements amnesty scheme for service tax defaulters. The 'Voluntary Compliance Encouragement Scheme', which came into force after passage of Finance Bill on May 10, can be availed by a service tax defaulter by this year end.
- » The government has readied an ordinance to put the land acquisition Bill into effect and is aiming to have parliament enacted it in the next session.



BANKING INDICATORS

Indicators	Rs. Billion		
	Outstanding as on 3 May, 2013	% Variation over Fortnight	Year
Total Bank Credit	53,408.8	1.0	15.0
Food Credit	1,160.8	20.6	17.4
Non Food Credit	52,248.0	0.6	14.9
Aggregate Deposit	68,835.6	0.7	13.5
Broad Money (M3)	85,127.0	0.5	12.5
Credit Deposit Ratio	77.6		

Source: RBI

EQUITY MARKETS

- » **Global share market** gained in the last two weeks mostly on the back of slow but gradual improvement in China trade and moderation in inflation in US.
- » **Indian stocks** gained in considerably in last two weeks as most of the indices exhibited good performance.
- » **Total turnover** during 6-19 May 2013 on BSE stood at Rs. 20,132 crore and on NSE at Rs. 73,854 crore.

Global Stock Indices	Closing Value as on 17 May, 2013	Weekly Change (%)
NYSE: DJIA	15,354.4	2.5
FTSE 100	6,723.1	3.1
Nikkei 225	15,138.1	10.5
Straits Times	3,449.3	2.4
KOSPI	1,986.8	1.1

Source: Yahoo Finance

Net Institutional Activity

	Equity	Debt
Fortnightly FII (US\$ Million)	1,725.0	1,082.9
Year -to-date FII (US\$ Million)	13,518.7	4,977.6
Fortnightly Mutual Funds [#] (Rs Crore)	-918.4	8,696.9

Source: SEBI

[#]as on 16 May, 2013

Indian Equity Indices	Closing Value as on 17 May, 2013	Weekly Change (%)
BSE SENSEX	18,242.6	-3.1
BSE 500	6,944.1	-2.0
S&P CNX NIFTY	3,665.2	1.8
S&P CNX 500		0.3

Source: NSE, BSE

COMMODITY MARKETS

- » **NYMEX West Texas Intermediate Crude Oil** on 17 May 2013 was US\$96.02 per barrel, up by US\$0.41 per barrel from the price on 3 May 2013.
- » **New York spot price for Gold** was US\$ 1,364.7 per ounce as on 17 May 2013, down by US\$99.5 per ounce from the price on 3 May 2013.

Commodity Spot Indices	Closing Value as on 18 May, 2013	Weekly Change (%)
MCX AGRI	3,195.6	1.1
MCX METAL	4,369.2	-1.2
MCX ENERGY	3,665.2	1.8
MCX COMDEX	3,689.0	0.3

Source: MCX, NCDEX

INDUSTRY NEWS

Construction Equipment

- » Sandvik is eyeing to increase its market penetration and market share in India. The company announced acquisition of new land of 50 acres in Chakan near Pune and projects significant investments including R&D by 2016. The company is also planning to set up a facility to manufacture construction equipment and infrastructure machinery. The plant likely to be operational by mid of 2015.

Consumer Durables

- » Panasonic, which makes the Viera brand of TVs and the Econavi line of ACs, will continue investing at least Rs 300 crore on a yearly average in India till 2015 as it aims to launch products and take up share in key product categories. Sony, which recently consolidated its mobile phone business with the company that markets its Vaio laptops, Bravia TVs and cyber-shot cameras in India, would triple its investment to Rs 300 crore in mobile phones this financial year.

Ports

- » The government is likely to divest a 10% stake in the Cochin Shipyard entity. This would be the first disinvestment in the sector. The government plans to raise Rs 54,000 crore through divestment this year, nearly doubling the FY 2013 target of Rs 30,000 crore.

BSE Indices	Closing Value as on 17 May, 2013	Weekly Change (%)
AUTO INDEX	11,202.3	3.4
BANKEX	15,214.5	7.3
BSE CAPITAL GOODS	10,423.1	4.6
BSE CONSUMER DURABLE	7,542.4	1.6
BSE FMCG	6,682.6	1.6
BSE HEALTHCARE	9,164.2	4.6
BSE INFOTECH	5,946.9	1.1
BSE MID CAP	6,613.98	3.7
BSE SMALL CAP	6,199.19	2.8
BSE TECK INDEX	3,594.36	0.9
METAL INDEX	8,794.0	0.1
OIL & GAS INDEX	9,031.7	3.7

Source: BSE

CNX Segment Indices	Closing Value as on 17 May, 2013	Weekly Change (%)
CNX NIFTY Junior	12,643.0	3.7
CNX MIDCAP	8,142.0	3.1
BANK NIFTY	13,239.5	6.8
CNX IT	6,292.2	1.1
CNX Realty	253.9	5.2
CNX Infrastructure	2,511.6	1.4

Source: NSE

GLOBAL NEWS

US

» In the week ending 11 May the advance figure for seasonally adjusted initial claims was 360,000, an increase of 32,000 from the previous week's revised figure of 328,000. The 4-week moving average was 339,250, an increase of 1,250 from the previous week's revised average of 338,000.

» US inflation falls by most in four years on gas-price drop. The consumer price index slipped by 0.4%, the biggest decline since December 2008 when America was suffering some of the darkest days of its financial crisis; against the expectation of a more modest 0.2% decline in last month's prices.

Europe

» Euro Zone economy is again into doldrums as its second largest economy, France is sinking. Data showed that the economy has shrank by 0.2% in the first quarter of 2013, following a 0.2% contraction at the end of last year. Consequently, GDP for the 17-nation euro area fell by 0.2% in the first quarter as compared with a decline of 0.6% in the fourth quarter of 2012.

China

» China trade figures for April 2013 were slightly better than economists expected, but still indicated that demand was fairly weak in foreign markets and in China itself. Exports rose 14.7% on year-on-year basis, while imports increased 16.8%. This is owing to low base effect.

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