

Economy Update



» FORTNIGHTLY NEWSLETTER

» 7-20 January 2013

Dear Reader

WPI-based inflation remained stable in December 2012 at 7.2% underpinned by continued softening in the non-food manufacturing inflation for the fourth consecutive month. However, the recent move to partially deregulate diesel prices is likely to affect the inflation trajectory through direct impact on fuel prices as well as indirect impact on food and manufacturing inflation. But the move to allow oil marketing companies to set diesel prices shows that the government is keen to tackle the subsidy burden. With moves being made by the government towards fiscal consolidation, CII feels that RBI should now cut interest rates aggressively in its forthcoming monetary policy review in order to cushion falling growth.

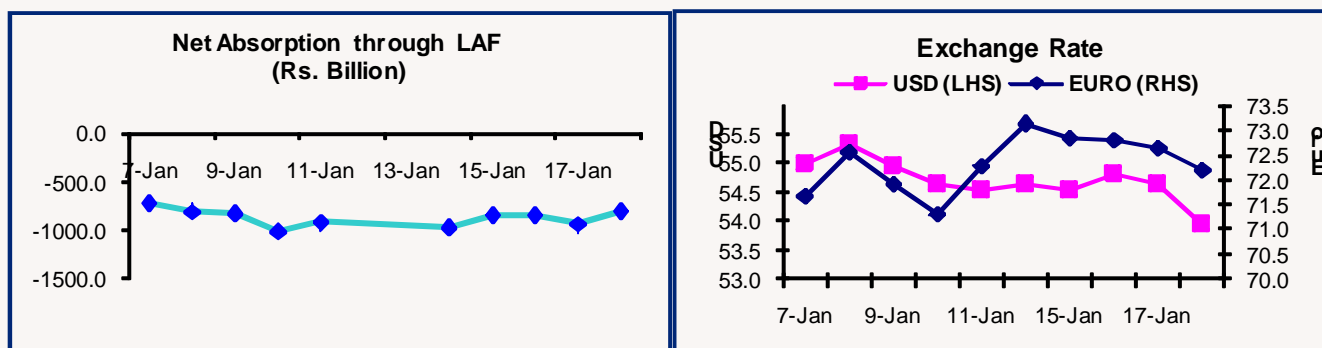
Chandrajit Banerjee

INDICATORS

- » **Ministry of Railways has hiked Passenger Fares** from 21 January 2013. This is expected to add around 20% revenue on an annualised basis and lead to Rs 1,200 crore more passenger earnings this financial year, above the budgeted target of Rs 32,000 crore. The railways will garner an additional Rs 6,600 crore in 2013-14.
- » India's **Exports** plunged by about 2% to US\$ 24.9 billion during December 2012, while imports grew by 6.3% to US\$ 42.5 billion. Surge in imports was mainly due to robust growth of 23.6% in oil imports, while non-oil imports decreased marginally by 0.9% in the reference period. Fast rise in imports over exports has widened trade deficit to US\$ 17.7 billion as compared to US\$ 14.7 billion in December 2011.
- » **Wholesale Price based Inflation (WPI)** remained stable at 7.2% in December 2012, close to the same rate it grew in the previous month. Primary articles inflation jumped to 10.6% in December 2012 from 9.4% in the previous month partly due to low base and partly due to rise in its food component. Fuel inflation decelerated further to 9.4% in December 2012 while inflation in petrol jumped to 3.4% in the comparable month. Inflation in manufacturing category, however, softened further to a 25 month low of 5.0% in December 2012 as compared to 5.4% in the previous month due to moderation in both its food and non-food components.
- » **Foreign Exchange Reserves** as on 11 January, 2013 stood at US\$ 296.3 billion, down by US\$ 0.3 billion from that on 28 December 2012.
- » At the **Treasury Bills Auctions** held during the week, the YTM for 91-day T-Bills stood at 7.98%.
- » The **Call Money Rates** as on 4 January 2013 traded in the range of 6.75-8.20%.

POLICY DEVELOPMENT

- » The Central Board of Direct Taxes (CBDT) is drafting rules for foreign tax credit (FTC), to bring in clarity in its administration. The rules are expected to come into force from 1st April, 2013. At present, there are no set rules for foreign tax credit, making it difficult for assesses to decide on credit claims.
- » Empowered Group of Ministers (EGoM) on telecom has decided to slash the reserve price for the 800-MHz radiowaves by either 30% or 50%. This has been decided keeping in view the unsuccessful bidding of CDMA spectrum in the auction last November.
- » To enhance flow of credit to the export sector, the Reserve Bank of India has introduced a dollar-rupee swap facility to support incremental pre-shipment export credit in foreign currency (PCFC) by banks.
- » Union Government has deferred the controversial General Anti-Avoidance Rules (GAAR) by two years, making the norms effective from the 2016-17 assessment year.
- » Government has raised diesel price by 45p/litre, the number of subsidized cylinders to 9 and cut petrol price by 25p/litre.



BANKING INDICATORS

Indicators	Rs. Billion		
	Outstanding as on 28 December, 2012	% Variation over Fortnight	Year
Total Bank Credit	50,272.2	1.3	15.1
Food Credit	1,075.6	-1.0	27.2
Non Food Credit	49,196.6	1.4	14.9
Aggregate Deposit	64,772.5	0.7	11.1
Broad Money (M3)	80,319.2	0.4	11.2
Credit Deposit Ratio	77.6		

Source: RBI

EQUITY MARKETS

- » **Global share market** cheered over couple of weeks on account of positive recovery (7.9%) in Chinese economic growth during the Q4, 2012.
- » **Indian stocks** gained marginally over last two weeks as most of the indices remained in negative territory.
- » **Total turnover** during 7-20 January 2013 on BSE stood at Rs. 23,148 crore and on NSE at Rs. 1,16,747 crore.

Global Stock Indices	Closing Value as on 18 January, 2013	Weekly Change (%)
NYSE: DJIA	13,596.0	1.5
FTSE 100	6,132.36	0.7
Nikkei 225	10,609.6	-0.7
Straits Times	3,195.1	-0.9
KOSPI	1,974.3	-1.9

Source: Yahoo Finance

Net Institutional Activity

	Equity	Debt
Weekly FII (US\$ Million)	1,620.2	-488.3
Year -to-date FII (US\$ Million)	2,448.9	-101.6
Weekly Mutual Funds [#] (Rs Crore)	-1,128.8	2,900.5

Source: SEBI

[#]as on 17 January, 2013

Indian Equity Indices	Closing Value as on 18 January, 2013	Weekly Change (%)
BSE SENSEX	20,039.0	1.3
BSE 500	7,743.3	0.0
S&P CNX NIFTY	6,039.2	0.4
S&P CNX 500	4,831.4	-0.3

Source: NSE, BSE

COMMODITY MARKETS

- » **NYMEX West Texas Intermediate Crude Oil** on 18 January 2013 was US\$95.6 per barrel, up by US\$2.5 per barrel from the price on 4 January 2013.
- » **New York spot price for Gold** was US\$ 1,687.3 per ounce as on 18 January 2013, down by US\$38.2 per ounce from the price on 4 January 2013.

Commodity Spot Indices	Closing Value as on 19 January, 2013	Weekly Change (%)
MCX AGRI	3,384.0	0.0
MCX METAL	5,189.8	0.7
MCX ENERGY	3,542.3	2.5
MCX COMDEX	3,992.4	1.2

Source: MCX, NCDEX

INDUSTRY NEWS

Small and Medium Enterprises

➤ National Small Industries Corporation (NSIC), has drawn up a plan to set up three more incubation centres in Odisha on the PPP mode in 2013. Each of these incubation centres has the capacity to train 300 people per annum. NDSIC has so far set up 60 centres across the country. Training is offered in a simulated condition besides providing hand holding support and marketing.

Textile

➤ Textile sector of Gujarat is likely to witness Rs. 20,000 crore worth of MoUs. As per government sources, companies like Arvind Ltd., Welspun India Ltd., Vardhman Group and Oswal Spinning, among others will be signing MoUs for investment proposals for projects in different verticals of the textile sector.

Electronics

➤ Gujarat government is planning to come up with at least four electronic clusters across the state over the next few years, besides drafting an electronic policy in order to attract investments into the state. In Gujarat, electronic clusters are likely to develop at Sanand, Halol, Mandal and Dholera.

BSE Indices	Closing Value as on 18 January, 2013	Weekly Change (%)
AUTO INDEX	11,298.2	-2.5
BANKEX	14,551.2	-1.0
BSE CAPITAL GOODS	10,503.7	-5.3
BSE CONSUMER DURABLE	7,697.7	-2.9
BSE FMCG	5,755.4	-2.2
BSE HEALTHCARE	8,067.4	-1.7
BSE INFOTECH	6,405.6	10.5
BSE MID CAP	7,165.5	-2.0
BSE SMALL CAP	7,370.3	-3.2
BSE TECK INDEX	3,817.4	8.6
METAL INDEX	10,780.5	-4.5
OIL & GAS INDEX	9,571.0	8.1

Source: BSE

CNX Segment Indices	Closing Value as on 18 January, 2013	Weekly Change (%)
CNX NIFTY Junior	12,488.4	-1.1
CNX MIDCAP	8,592.9	-1.8
BANK NIFTY	12,469.6	-2.5
CNX IT	6,869.5	11.6
CNX Realty	306.5	4.4
CNX Infrastructure	2,583.8	-2.4

Source: NSE

GLOBAL NEWS

USA

» In the week ending January 12, the advance figure for seasonally adjusted initial claims of unemployment benefits were 335,000, a decrease of 37,000 from the previous week's revised figure of 372,000. The 4-week moving average was 359,250, a decrease of 6,750 from the previous week's revised average of 366,000.

» A spike in US imports of consumer goods, autos and other products led to sharp rise in the US trade deficit in November 2012 to US\$ 48.7 billion from the previous month. This is likely to have impact on Q4, 2012 economic growth.

Europe

» Greece to increase tax on middle and high income groups, self employed, trims tax benefits for having children, revokes tax breaks for farmers and increase corporate tax from 20% to 26%. This is expected to raise Euro 2.3 billion in a cash strapped economy.

China

» China's economy grew by 7.9% in the Q4 2012 from a year earlier, rebounding after seven straight quarters of slowdown. It is also better than the growth of 7.4% achieved during Q3, 2012. For the full year 2012, the growth stood at 7.8%, the weakest year of economic expansion since 1999.

DISCLAIMER

Copyright © 2013 by Confederation of Indian Industry (CII), All rights reserved.

No part of this publication may be reproduced, stored in, or introduced into a retrieval system, or transmitted in any form or by any means (electronic, mechanical, photocopying, recording or otherwise), without the prior written permission of the copyright owner. CII has made every effort to ensure the accuracy of information presented in this document. However, neither CII nor any of its office bearers or analysts or employees can be held responsible for any financial consequences arising out of the use of information provided herein.

CII Economy Update is a fortnightly report published by Confederation of Indian Industry (CII). Reach us at: ecoresearch@cii.in



Confederation of Indian Industry

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