

# Economy Update



» WEEKLY NEWSLETTER

» 14-20 May 2012

## Dear Reader,

Both Wholesale Price Index and Consumer Price Index accelerated to unexpected levels in April. Spiraling prices of vegetables, oils and fats, milk and milk products pushed consumer price inflation to double-digit in April posing yet another hurdle to the Reserve Bank of India's (RBI) efforts to ease interest rates. The RBI has also been conducting open market operations to compensate for the liquidity being sucked out of the market on account of its intervention in the foreign exchange market. CII is of the view that further reductions in interest rate are required for the economy to pick up.

Chandrajit Banerjee

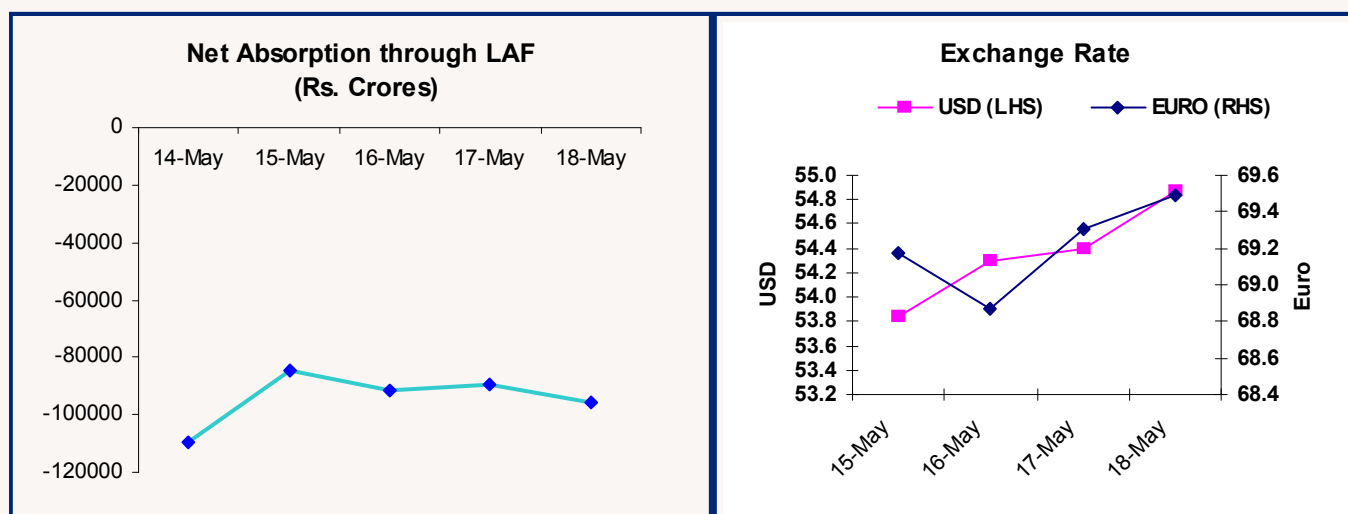
(Director General, CII)

## INDICATORS

- » The annual rate of **inflation**, stood at 7.2% for the month of April, 2012 as compared to 6.89% for the previous month and 9.74% during the corresponding month of the previous year.
- » **Food inflation** in April 2012 increased to 10.49% from 9.94% in March. **Non-Food inflation** increased to 1.6% in April after having declined by 1.6% in March.
- » **Fuel and Power inflation** recorded a growth of 11.03% in April as compared to 10.4% in March.
- » Inflation in **Manufactured products** increased to 6.5% in April from 4.87% in March 2012.
- » **Foreign Exchange Reserves** as on May 11, 2012 stood at US\$ 291.8 billion, declining by US\$ 1.4 billion from the previous week.
- » At the **Treasury bills auctions** held during the week, the YTM for 91-day T-Bills stood at 8.4%.

## Policy Development

- » The Reserve Bank of India will continue to intervene and take administrative measures to protect the rupee. The approach over the last few months has been a combination of intervention at times and some administrative actions.
- » The RBI has announced, that it will offer Swap Arrangement of US \$ 2 billion to all SAARC member countries. The swap will be offered in US dollar, Euro or Indian Rupee against the domestic currency or domestic currency denominated government securities of the requesting country. The requesting member countries can make draws of these currencies in multiple tranches for three months tenor and the draws can be rolled over twice.



## BANKING INDICATORS

Indicators	Rs. Billion		
	Outstanding as on 4 May April ,2012	% Variation over Fortnight	Year
Total Bank Credit	46,440.7	0.6	17.3
Food Credit	988.9	21.1	67.5
Non Food Credit	45,451.9	0.2	16.6
Aggregate Deposit	60,604.3	0.5	17.3
Broad Money (M3)	75,472.1	0.5	13.4
Credit Deposit Ratio	76.6		

Source: RBI

## EQUITY MARKETS

- » With sentiments worsening and the crisis deepening in the global markets as well as in India, investor confidence has plummeted.
- » Indian equity markets remained low on account of poor economic data and policy paralysis. While industrial growth declined by 3.5% in March, WPI inflation accelerated to 7.2% and consumer price inflation was pushed to double-digit in April.
- » Total turnover during the week on BSE stood at Rs. 9,225 crore and on NSE at Rs. 48,240 crore.

Global Stock Indices	Closing Value as on 18 May 2012	Weekly Change (%)
NYSE: DJIA	12,369.4	-3.5
FTSE 100	5,267.6	-5.5
Nikkei 225	8,611.3	-3.8
Straits Times	2,779.1	-3.6
KOSPI	1,782.5	-7.0

Source: Yahoo Finance

### Net Institutional Activity

	Equity	Debt
Weekly FII (US \$ Million)	1.8	98.8
Year -to-date FII (US\$ million)	8,723.9	3,344.5
Weekly Mutual Funds# (Rs Crore)	333.1	5,640.9

Source: SEBI

#as on 17 May, 2012

Indian Equity Indices	Closing Value on 18 May 2012	Week's % Change
BSE SENSEX	16,152.8	-0.9
BSE 500	6,241.2	-0.9
S&P CNX NIFTY	4,891.5	-0.8
S&P CNX 500	3,889.1	-1.0

Source: NSE, BSE

## COMMODITY MARKETS

- » NYMEX West Texas Intermediate Crude Oil for June delivery stood at US\$ 91.5 per barrel on May 18 2012, down by US\$ 4.6 per barrel from the previous week.
- » New York spot price for Gold was US\$ 1,592.2 per ounce as on 18 May 2012, up by US\$ 8.2 per ounce from the previous week.

Commodity Spot Indices	Closing Value as on 19 May 2012	Week's % Change
MCX AGRI	3,579.3	-1.5
MCX METAL	4,870.5	0.3
MCX ENERGY	3,373.2	-0.7
MCX COMDEX	3,842.7	-0.4

Source: MCX, NCDEX

## INDUSTRY

### Power

- Almost 20% of India's total installed power generation capacity has been forced to shut down due to scarcity of fuel and transmission facilities and equipment failure. This development has led to a severe imbalance between demand and supply of power in several states. Analysts warned that the situation would deteriorate as demand for power peaks in the next four weeks. Moreover, the shutdowns have wiped out the expected benefits of the record capacity addition of 20,000 mw in 2011-12.

BSE Indices	Closing Value on 18 May 2012	Week's % Change
AUTO INDEX	9,231.5	-5.6
BANKEX	10,726.8	-1.0
BSE CAPITAL GOODS	8,717.7	-1.0
BSE CONSUMER DURABLE	6,420.0	-2.8
BSE FMCG	4,697.6	1.7
BSE HEALTHCARE	6,617.7	0.7
BSE INFOTECH	5,512.0	0.5
BSE MID CAP	5,864.7	-1.4
BSE SMALL CAP	6,255.4	-2.2
BSE TECK INDEX	3,203.2	-0.2
METAL INDEX	10,078.1	-0.3
OIL & GAS INDEX	7,465.4	-1.1

Source: BSE

### IT

- The domestic information technology (IT) market has grown 16.7% to Rs 91,800 crore in fiscal 2012 from Rs 78,600 crore in the previous fiscal.

CNX Segment Indices	Closing Value on 18 May 2012	Week's % Change
CNX NIFTY Junior	9,477.6	-1.9
CNX MIDCAP	6,867.3	-1.7
BANK NIFTY	9,310.3	-0.9
CNX IT	5,865.5	0.6
CNX Realty	205.4	-0.6
CNX Infrastructure	2,155.2	-1.7

Source: NSE

## GLOBAL NEWS

### USA

- » In the week ending 12 May, the advance figure for seasonally adjusted initial claims was 370,000, a decrease of 4,750 from the previous week's revised figure of 379,750.

### Europe

- » GDP remained stable in both the Euro area and the EU 27 during the first quarter of 2012, compared with the previous quarter. In the fourth quarter of 2011, growth rates were -0.3% in both zones.

- » The first estimate for the Euro Area trade in goods balance with the rest of the world in March 2012 gave a 8.6 billion euro surplus, compared with a surplus of 1.0 billion in March 2011. the February 2012 balance was a surplus 2.3 billion euro, compared with a deficit of 2.9 billion euros in February 2011.

### Asia

- » Thailand's GDP increased 0.3% in the three months through March from a year earlier, after contracting a revised 8.9% in the previous quarter.

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