

# Economy Update



» WEEKLY NEWSLETTER

» 16-22 April 2012

## Dear Reader,

The RBI's move to cut the repo rate by 50 basis points is indeed welcome, as it will provide the much needed boost to investment and growth. This will also send out a strong signal that turning around growth is of pivotal importance and all policy levers need to be utilised. CII appreciates RBI's concern on growth being constrained due to supply side bottlenecks in the short-term. CII has been strongly advocating de-bottlenecking supply side constraints in areas such as infrastructure, energy, minerals and labour, which could put India back on the pre-crisis growth trajectory.

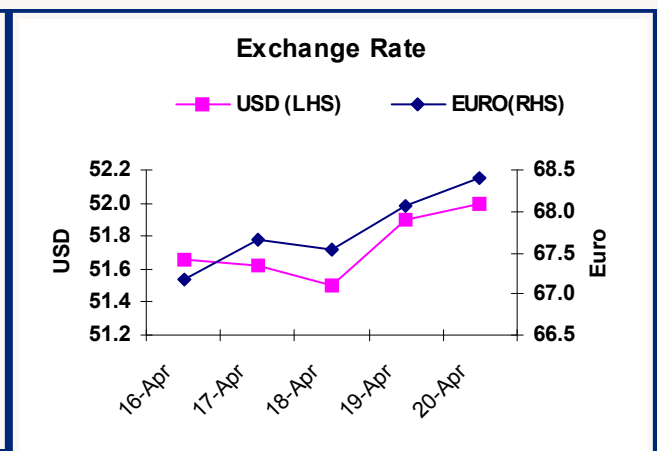
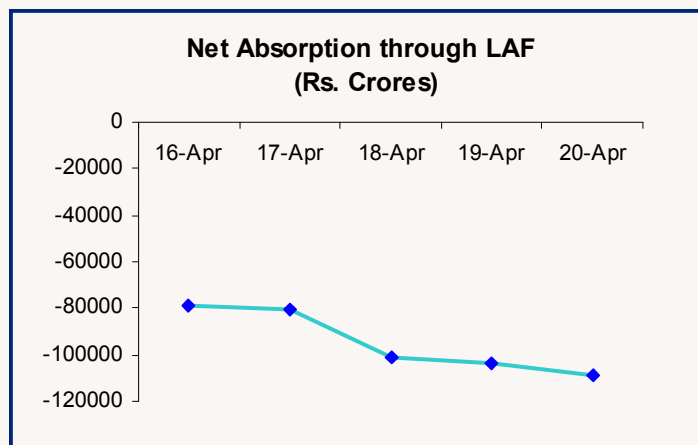
Chandrajit Banerjee  
(Director General, CII)

## INDICATORS

- » Monthly data on services shows that **Services exports** for February 2012 stood at US\$ 11.2 billion as compared to US\$ 11.0 billion in January 2012. **Services imports** for February 2012 stood at US\$ 6.8 billion as compared to US\$ 7.3 billion.
- » **Foreign Exchange Reserves** as on April 13, 2012 stood at US\$ 293.1 billion, increasing by US\$ 0.2 billion from the previous week.
- » The **call money rates** as on March 23, 2012 traded in the range of 7.3-9.0%.
- » At the **Treasury bills auctions** held during the week, the YTM for 91-day T-Bills stood at 8.8%.

## Policy Development

- » In RBI's Monetary Policy Statement for 2012-13, the repo rate under the liquidity adjustment facility (LAF) was reduced by 50 basis points. The repo rate will accordingly drop from 8.5 to 8.0%.
- » Consequently, the reverse repo rate under the LAF, determined with a spread of 100 basis points below the repo rate gets calibrated to 7.0%. Similarly, the marginal standing facility (MSF) rate, which has a spread of 100 bps above the repo rate, stands adjusted to 9.0%.
- » In order to provide greater liquidity cushion, the RBI has decided to raise the borrowing limit of scheduled commercial banks under the marginal standing facility (MSF) from 1% to 2% of their net demand and time liabilities (NDTL).



## BANKING INDICATORS

Indicators	Rs. Billion		
	Outstanding as on 6 April, 2012	% Variation over Fortnight	Year
Total Bank Credit	46,935.7	1.8	18.7
Food Credit	794.6	-0.4	59.2
Non Food Credit	46,141.1	-0.2	18.1
Aggregate Deposit	60,950.4	3.2	14.3
Broad Money (M3)	75,478.2	2.7	13.7
Credit Deposit Ratio	77.0		

Source: RBI

## EQUITY MARKETS

- » Global markets remained volatile on account of negative news from Europe. European markets which were cheered by the fall in Spanish government bond yields during the middle of the week, came under pressure again after Spanish government bond yields increased on Friday, topping 6% after a disappointing debt auction. Adding to the crisis were the rumors of the downgrading of the credit rating of France, which pushed the French bond yields.
- » Indian equities ended positive after RBI surprised markets with a 50 bps repo cut.
- » Total turnover during the week on BSE stood at Rs. 12,111 crore and on NSE at Rs. 56,136 crore.

Global Stock Indices	Closing Value as on 20 April 2012	Weekly Change (%)
NYSE: DJIA	13,029.3	-0.2
FTSE 100	5,772.2	0.1
Nikkei 225	9,561.4	-5.2
Straits Times	2,994.5	0.3
KOSPI	1,974.7	-2.7

Source: Yahoo Finance

### Net Institutional Activity

	Equity	Debt
Weekly FII (US \$ Million)	44.2	-77.3
Year -to-date FII (US\$ million)	8,958.4	3,753.2
Weekly Mutual Funds# (Rs Crore)	156.0	7,459.7

Source: SEBI

#as on 18 March, 2012

Indian Equity Indices	Closing Value on 20 April 2012	Week's % Change
BSE SENSEX	17,373.8	1.6
BSE 500	6,777.8	1.3
S&P CNX NIFTY	5,290.9	1.6
S&P CNX 500	4,226.4	1.4

Source: NSE, BSE

## COMMODITY MARKETS

- » NYMEX West Texas Intermediate Crude Oil for April delivery stood at US\$ 103.1 per barrel on 20 April 2012, up by US\$ 0.3 per barrel from the previous week.
- » New York spot price for Gold was US\$ 1,642.3 per ounce as on 20 April 2012, down by US\$ 16.8 per ounce from the previous week.

Commodity Spot Indices	Closing Value as on 21 April 2012	Week's % Change
MCX AGRI	3,694.9	-1.8
MCX METAL	4,906.8	-0.4
MCX ENERGY	3,419.3	0.8
MCX COMDEX	3,896.4	-0.3

Source: MCX, NCDEX

## INDUSTRY

### Aviation

- » The Government is preparing a draft legislation to replace the Aircraft Act which was framed in 1934. The Government aims to make this new legislation aviation centric in line with changing times rather than the old aircraft centric approach of the Aircraft Act.

### Telecom

- » TRAI has mandated all mobile phone companies to offer 'per second billing' option to their customers; the regulator said all operators must have at least one tariff plan that provides per second billing. The regulator has also allowed telcos to charge up to four times the existing rates for premium services.

### Industrial Goods

- » The Fertiliser Ministry has sent a proposal to Finance Ministry for creating a sovereign wealth fund. This fund is expected to assist the government as well as private companies in the acquisition of mineral assets abroad.

BSE Indices	Closing Value on 20 April 2012	Week's % Change
AUTO INDEX	10,753.1	5.9
BANKEX	12,049.9	1.4
BSE CAPITAL GOODS	9,874.0	-16.9
BSE CONSUMER DURABLE	6,686.6	0.7
BSE FMCG	4,665.7	3.0
BSE HEALTHCARE	6,816.0	1.8
BSE INFOTECH	5,460.9	1.0
BSE MID CAP	6,417.7	1.3
BSE SMALL CAP	6,900.6	1.5
BSE TECK INDEX	3,254.7	0.7
METAL INDEX	11,278.6	3.3
OIL & GAS INDEX	7,943.9	-0.5

Source: BSE

CNX Segment Indices	Closing Value on 20 April 2012	Week's % Change
CNX NIFTY Junior	10,458.9	0.4
CNX MIDCAP	7,626.4	0.6
BANK NIFTY	10,456.5	1.5
CNX IT	5,849.5	1.2
CNX Realty	236.5	0.3
CNX Infrastructure	2,473	-0.2

Source: NSE

## GLOBAL NEWS

### USA

- » In the week ending 14 April, the advance figure for seasonally adjusted initial claims was 386,000, a decrease of 2,000 from the previous week's revised figure of 388,000.

### Europe

- » As part of the IMF and World Bank's Annual Meetings, European policy makers were urged to be tougher and more agile in their efforts to end two years of debt turmoil as the International Monetary Fund received more than \$430 billion from members to safeguard the world economy.
- » The EU 27 external current account recorded a surplus of 13.1 billion euro in the fourth quarter of 2011, compared with a deficit of 14.5 billion euro in the fourth

quarter of 2010.

- » Euro area annual inflation was 2.7% in March 2012, unchanged compared with February. A year earlier the rate was 2.7%. Monthly inflation was 1.3% in March 2012.

### Asia

- » The preliminary HSBC China Manufacturing Purchasing Managers Index, a gauge of nation-wide manufacturing activity, rose to a two-month high of 49.1 in April compared with a final reading of 48.3 in March. Although the index has risen it still remains below the 50 mark indicating continued contraction in the sector.

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