



Confederation of Indian Industry

Economy Update



» FORTNIGHTLY NEWSLETTER

» 18 -31 March 2013

Dear Reader

The current account deficit (CAD) widened to a record high of 6.7% to GDP in the third-quarter of the current fiscal. Though the widening of the CAD was expected, but the magnitude has surprised us too. Encouragingly, the Rupee had remained stable against the US dollar in the third quarter, as the capital flows were able to fully finance the CAD. Going forward, we expect the CAD to narrow underpinned by improvement in exports. Though, inelastic imports of oil and gold still remains a worry.

Chandrajit Banerjee

(Director-General, CII)

INDICATORS

- » India's **External debt** rose by 8.9% to US\$ 376.3 billion as of December 31, 2012, against US\$ 345.5 billion as of March 31, 2012, accounting for about 20% of GDP. The rise in external debt was due to increase in both long-term, and short-term debt. The long-term debt accounted for 75.6% of the total debt. Further, external debt rose faster than foreign exchange reserves, which provided a cover of 78.6% to the external debt stock at the end of 2012, against 85.2% as of March 31, 2012.
- » **Current account deficit (CAD)** for October-December 2012 stood at 6.7% of GDP, while cumulatively for April-December 2012, it was estimated at 5.4% of GDP. High CAD is a cause of concern but as of now country is able to fully finance it through capital inflows, hence, it is not so threatening at the moment.
- » As per the latest CSO estimates, public investment/Gross Capital Formation (GCF) in agricultural sector has increased over two times from Rs.9239 crore in 1991-92 to Rs.22095 crore in 2011-12 at 2004-05 prices. Rate of public investment during 2011-12 in the agriculture and allied sectors was estimated at 3% of agricultural GDP. 12th Five Year Plan (2012-17) aims to raise it to 4% of agricultural GDP.
- » **Foreign Exchange Reserves** as on 22 March 2013 stood at US\$ 293.4 billion, up by US\$ 3.0 billion from that on 8 March 2013.
- » At the **Treasury Bills Auctions** held during the week, the YTM for 91-day T-Bills stood at 8.19%.
- » The **Call Money Rates** as on 31 March 2013 traded in the range of 6.1-9.0 per cent.

POLICY DEVELOPMENTS

- RBI reduced repo rate by 25 bps to 7.5% in its recent monetary policy review. Consequently, the reverse repo rate under the LAF stands adjusted to 6.5% and the marginal standing facility (MSF) rate and the Bank Rate to 8.5%.
- Union government has finalised a blue print to set up 3 specific funds, with a combined corpus of Rs 17,500 crore, to help the telecom sector develop a strong domestic manufacturing base, encourage entrepreneurship and promote research & development. These funds would provide start-up and angel funding to its recipients, finance incubation centres, offer soft loans and giving interest subsidy to banks lending to telecom companies.
- RBI has postponed the implementation of Basel-III regulations for the currency derivatives segment to January 2014.
- Union chemicals & fertilisers ministry has discontinued the fertiliser subsidy for producing ammonium sulphate (caprolactum grade) to Gujarat State Fertilizers and Chemicals Ltd for not passing subsidy benefits to farmers.



BANKING INDICATORS

Indicators	Rs. Billion		
	Outstanding as on 8 March, 2013	% Variation over Fortnight	Year
Total Bank Credit	51,808.1	1.1	15.4
Food Credit	1,040.0	-2.7	24.0
Non Food Credit	50,768.1	1.2	15.3
Aggregate Deposit	66,601.8	1.5	13.1
Broad Money (M3)	82,623.3	1.3	12.6
Credit Deposit Ratio	77.8		

Source: RBI

EQUITY MARKETS

- **Global share market** remained subdued in the last two weeks mostly on the back of US GDP data for Q4 2012-13, which shows marginal improvement in the economy.
- **Indian stocks** lost over last two weeks as most of the indices exhibited weak performance.
- **Total turnover** during 18-29 March 2013 on BSE stood at Rs. 17,881 crore and on NSE at Rs. 89,583 crore.

Global Stock Indices	Closing Value as on 29 March, 2013	Weekly Change (%)
NYSE: DJIA	14,526.2	-0.1
FTSE 100	6,411.7	-1.2
Nikkei 225	12,336.0	-1.8
Straits Times	3,313.0	0.8
KOSPI	1,993.5	0.3

Source: Yahoo Finance

Net Institutional Activity

	Equity	Debt
Fortnightly FII (US\$ Million)	679.6	182.1
Year -to-date FII (US\$ Million)	10,310.1	2,360.0
Fortnightly Mutual Funds [#] (Rs Crore)	-410.1	27,539.7

Source: SEBI

[#]as on 26 March, 2013

Indian Equity Indices	Closing Value as on 29 March, 2013	Weekly Change (%)
BSE SENSEX	18,835.8	-3.0
BSE 500	7,085.0	-3.6
S&P CNX NIFTY	5,641.6	-3.9
S&P CNX 500	4,394.6	-4.4

Source: NSE, BSE

COMMODITY MARKETS

- **NYMEX West Texas Intermediate Crude Oil** on 28 March 2013 was US\$97.2 per barrel, up by US\$3.7 per barrel from the price on 15 March 2013.
- **New York spot price for Gold** was US\$ 1,594.6 per ounce as on 28 March 2013, up by US\$1.8 per ounce from the price on 15 March 2013.

Commodity Spot Indices	Closing Value as on 30 March, 2013	Weekly Change (%)
MCX AGRI	3,124.1	-2.0
MCX METAL	4,892.7	-1.1
MCX ENERGY	3,673.1	4.6
MCX COMDEX	3,878.9	0.8

Source: MCX, NCDEX

INDUSTRY NEWS

Ports

▶ As FY2013 draws to a close, the Union shipping ministry has awarded 14 PPP port projects, which will bring in an additional capacity of 80 million tonnes per annum (mtpa) at an investment of Rs 5,600 crore. Overall, 26 port projects have been awarded, bringing in a capacity augmentation of 114 mtpa. In addition, the government has awarded a Rs 785 crore project for development of a ship repair facility at Cochin port.

Fertilizer

▶ ONGC to sign an agreement with the Tripura government to establish a natural gas fertiliser manufacturing unit near Kumarghat in Unakoti district. The MoU would be signed early next month.

Tea

▶ Indian Tea Association (ITA) feels that low yield last year coupled with insufficient rainfall in tea producing states and higher cost of production, is likely to push tea prices upwards by Rs 15-20 per kg this year. Currently, the average tea price at different auctions is ruling at Rs 99-110 per kg. According to ITA, domestic tea demand is growing by 3-4% every year i.e around 20-25 million kg per annum.

BSE Indices	Closing Value as on 29 March, 2013	Weekly Change (%)
AUTO INDEX	9,994.2	-5.9
BANKEX	13,033.4	-3.9
BSE CAPITAL GOODS	9,017.6	-7.9
BSE CONSUMER DURABLE	7,094.6	1.6
BSE FMCG	5,919.2	1.2
BSE HEALTHCARE	8,008.1	-0.6
BSE INFOTECH	6,885.5	-0.2
BSE MID CAP	6142.06	-3.8
BSE SMALL CAP	5804.65	-6.1
BSE TECK INDEX	3900.94	-1.3
METAL INDEX	8,758.3	-5.4
OIL & GAS INDEX	8,326.6	-6.3

Source: BSE

CNX Segment Indices	Closing Value as on 29 March, 2013	Weekly Change (%)
CNX NIFTY Junior	11,041.6	-5.2
CNX MIDCAP	7,291.1	-5.6
BANK NIFTY	11,163.5	-5.5
CNX IT	7,137.1	-1.2
CNX Realty	261.8	0.0
CNX Infrastructure	2,178.8	-8.4

Source: NSE

GLOBAL NEWS

US

» In the week ending March 23, the advance figure for seasonally adjusted initial claims was 357,000, an increase of 16,000 from the previous week's revised figure of 341,000. The 4-week moving average was 343,000, an increase of 2,250 from the previous week's revised average of 340,750.

» The US economy grew at a faster than expected 0.4% in the fourth quarter of 2012. Consequently, the annualised figure was better than an earlier estimate of 0.1% growth, reflecting increased investments in plant and equipment. Overall, the economy remained sluggish in 2012 mostly due to acute fall in defence spending and government expenditure.

Europe

» UK's services sector grew at its fastest pace for five months in January 2013, raising hopes that the economy will avoid falling back into recession. Figures show that output rose by 0.3% in January from December. The largest contributions came from transport and financial services.

China

» China's official manufacturing purchasing managers' index rose to an 11-month high of 50.9 in March 2013. Stronger domestic demand helped China's factory activity to rebound in March, with new orders up sharply in a sign that the underlying economic recovery is strong enough to weather any risks from patchy export performance.

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