

# Economy Update



» WEEKLY NEWSLETTER

» 2-8 April 2012

## Dear Reader,

Monetary aggregates decelerated in 2011-12 with money supply (M3) growing at just 13.1% in March 2012, below the indicative trajectory of 15.5% set out by the RBI. As deposit growth decelerated sharply during the last quarter of the year, even as credit growth remained strong, the credit-deposit ratio increased to 78.1 putting pressure on liquidity. Liquidity remained in negative territory throughout 2011-12 despite RBI infusing liquidity through purchase of Government bonds and lowering the CRR. The shortfall in liquidity was far in excess of the RBI's stated comfort level of 1% of NDTL. This calls for further reduction in CRR in the upcoming Annual Monetary Policy to be announced on April 17.

Further, in view of the decline in the inflation rate, there is a strong case for a reduction in the repo rate. CII has called for a 100 basis point reduction in the repo and reverse repo rates in the April policy itself in order to send out a strong signal that the RBI will be supportive of growth. Without this, it will be difficult to achieve the 7.6% growth in 2012-13, as projected in the Budget.

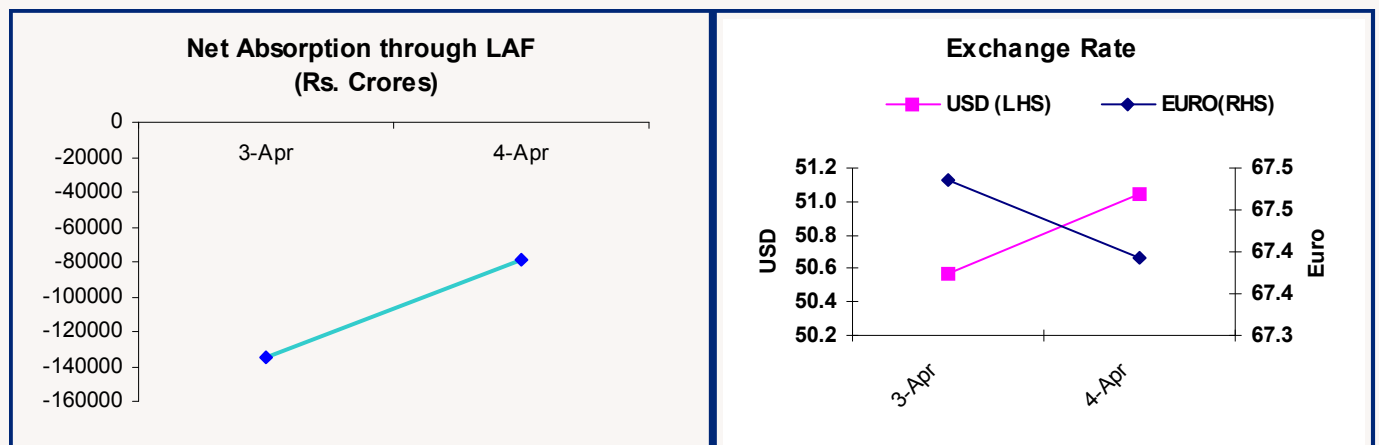
Chandrajit Banerjee  
(Director General, CII)

## INDICATORS

- » India's **exports** during February, 2012 were valued at US\$ 24.6 billion which was 4.3% higher than the level of US\$ 23.6 billion during February 2011. Cumulative value of exports for April-February 2011-12 was US\$ 267.4 billion as against US\$ 220.2 billion, registering a growth of 21.4%.
- » India's **imports** during February 2012, were valued at US\$ 39.8 billion representing a growth of 20.7% over the level of imports valued at US\$ 33.0 billion. Cumulative value of imports for April-February 2011-12 was US\$ 434.2 billion as against US\$ 335.5 billion registering a growth of 29.4%.
- » The **trade deficit** for April-February 2011-12 was estimated at US\$ 166.7 billion which was higher than the deficit of US\$ 115.3 billion during April-February 2010-11.
- » **Foreign Exchange Reserves** as on March 30, 2012 stood at US\$ 294.4 billion, decreasing by US\$ 0.7 billion from the previous week.
- » The **call money rates** as on March 23, 2012 traded in the range of 7.5-9.5%.
- » At the **Treasury bills auctions** held during the week, the YTM for 91-day T-Bills stood at 8.8%.

## Policy Development

- » The Government is likely to define the term 'joint venture' for the purpose of foreign direct investment (FDI), under which it would be mandatory for at least two partners to have minimum 25% stake each in the JV company.
- » The Government has decided to put its plan to disinvest its stake in power equipment maker Bharat Heavy Electricals (BHEL) on hold. The company has withdrawn the draft red herring prospectus (DHRP) for a follow-on-public offering (FPO) filed with the Securities and Exchange Board of India in September for the disinvestment of the Government's % stake in the company



## BANKING INDICATORS

			<i>Rs. Billion</i>
Indicators	Outstanding as on 23 March,2012	% Variation over Fortnight	Year
Total Bank Credit	46,116.3	2.8	17.0
Food Credit	813.0	-3.0	26.5
Non Food Credit	45,303.3	2.9	16.9
Aggregate Deposit	59,036.6	0.9	13.4
Broad Money (M3)	72,830.4	0.8	13.1
Credit Deposit Ratio	78.1		

Source: RBI

## EQUITY MARKETS

- » US bourses ended in red, despite some positive economic indicators. The private sector employment report was positive and weekly jobless claims fell to the lowest in nearly four years last week. However, the non-farm payroll report was disappointing as it came in below market expectations.
- » Indian markets remained volatile during the week amid speculation over the likely outcome of the much awaited monetary policy review on 17 April 2012.
- » Total turnover during the week on BSE stood at Rs. 12,103 crore and on NSE at Rs. 55,368 crore.

Global Stock Indices	Closing Value as on 8 April 2012	Weekly Change (%)
NYSE: DJIA	13,060.1	-1.1
FTSE 100	5,768.5	-0.8
Nikkei 225	10,083.6	-3.9
Straits Times	2,986.2	-0.8
KOSPI	2,029.0	0.7

Source: Yahoo Finance

### Net Institutional Activity

	Equity	Debt
Weekly FII (US \$ Million)	326.7	-203.0
Year -to-date FII (US\$ million)	9,176	3,585.4
Weekly Mutual Funds# (Rs Crore)	18.0	8,513.4

Source: SEBI

#as on 3 March, 2012

Indian Equity Indices	Closing Value on 4 April 2012	Week's % Change
BSE SENSEX	17,486.0	0.5
BSE 500	6,835.1	1.1
S&P CNX NIFTY	5,322.9	0.5
S&P CNX 500	4,262.2	1.0

Source: NSE, BSE

## COMMODITY MARKETS

- » NYMEX West Texas Intermediate Crude Oil for May delivery stood at US\$ 103.3 per barrel on 5 April 2012, up by US\$ 0.3 per barrel from the previous week.
- » New York spot price for Gold was US\$ 1,628.1 per ounce as on 5 April 2012, down by US\$ 40.6 per ounce from the previous week.

Commodity Spot Indices	Closing Value as on 7 April 2012	Week's % Change
MCX AGRI	3,726.5	3.0
MCX METAL	4,849.6	0.3
MCX ENERGY	3,352.4	-1.7
MCX COMDEX	3,854.9	-0.1

Source: MCX, NCDEX

## INDUSTRY

### Power

- » Coal India Ltd (CIL) is expected to enter fuel supply agreements (FSAs) with as many as 50 firms, including NTPC Ltd and Reliance Power Ltd, for a total capacity of 28,000 MW.

### Oil and Gas

- » Faced with a shortfall in gas production from its KG-D6 field, Reliance Industries Ltd (RIL) is set to make its debut in the marketing of imported natural gas. India Gas solutions, the equal joint venture between RIL and British Petroleum (BP), will shortly bring in liquefied natural gas (LNG) through the terminals of Shell India and Petronet LNG.

### Shipping

- » The shipping ministry has scaled down the targets for capacity addition and planned investments in the current fiscal after a dismal performance in 2011-12. It plans to award 18 projects with an estimated cost of Rs 6,750 crore adding 103 MT to the existing capacity in the current fiscal.

### Entertainment

- » The Mexico-headquartered Cinopolis, the world's fifth largest multiplex operator with over 2,500 screens, is in talks with BIG Cinemas for a strategic alliance. The alliance may entail buying a stake in some of BIG Cinema's screens.

BSE Indices	Closing Value on 4 April 2012	Week's % Change
AUTO INDEX	10,064.4	-0.7
BANKEX	11,925.1	1.5
BSE CAPITAL GOODS	10,027.9	3.3
BSE CONSUMER DURABLE	6,811.8	6.4
BSE FMCG	4,503.7	0.2
BSE HEALTHCARE	6,570.0	-0.8
BSE INFOTECH	6,106.4	0.4
BSE MID CAP	6,473.9	2.0
BSE SMALL CAP	6,844.9	3.3
BSE TECK INDEX	3,572.7	0.3
METAL INDEX	11,355.3	0.1
OIL & GAS INDEX	8,141.1	0.7

Source: BSE

CNX Segment Indices	Closing Value on 4 April 2012	Week's % Change
CNX NIFTY Junior	10,650.7	1.9
CNX MIDCAP	7,810.2	1.3
BANK NIFTY	10,340.1	1.2
CNX IT	6,539.9	0.4
CNX Realty	241.6	1.0
CNX Infrastructure	2,561.1	2.1

Source: NSE

## GLOBAL NEWS

### USA

- » In the week ending 31 March, the advance figure for seasonally adjusted initial claims was 357,000, a decrease of 6,000 from the previous week's revised figure of 363,000.
- » US Non-farm payroll employment rose by 120,000 in March, and the unemployment rate was little changed at 8.2%. Employment rose in manufacturing, food services and drinking places, and healthcare, but was down in retail trade.

### Europe

- » The Euro Area seasonally adjusted unemployment rate was 10.8% in February 2012, compared with 10.7% in January. It was 10.0% in February 2011. The EU 27 unemployment rate was 10.2% in February 2012, compared with 10.1% in January. It was 9.5% in February 2011.
- » In February 2012, compared with January 2012, the industrial producer price index rose by 0.6% in the Euro Area and by 0.8% in the EU 27. In January prices increased by 0.8% and 0.6% respectively.

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