

Economy Update



» WEEKLY NEWSLETTER

» 21-27 May 2012

Dear Reader,

Rationalization of petroleum prices is one of the most important reforms that industry has been advocating and it has been high on CII's agenda. The current under recoveries in diesel and LPG requires immediate action to ensure that dual pricing of diesel pricing is introduced, where non farm use of diesel should have minimum subsidy.

Also the huge subsidy on urban use of LPG should be phased out. The increase in price of petrol is quite steep and would not resolve the issue of ballooning fuel subsidy. CII would urge the government to address the subsidies in diesel and LPG urgently. Kerosene being a poor man's fuel should continue to get the government support for the time being.

Chandrajit Banerjee

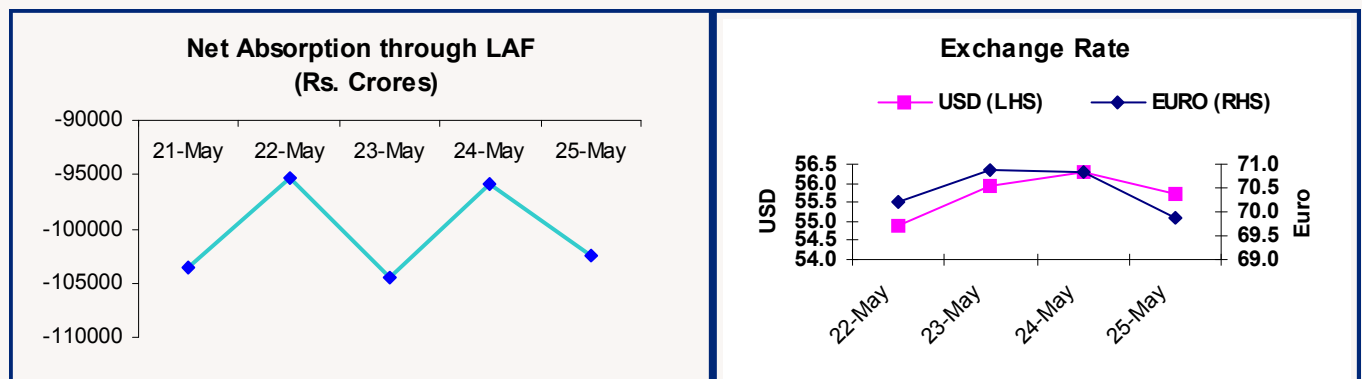
(Director General, CII)

INDICATORS

- » **Foreign Exchange Reserves** as on May 18, 2012 stood at US\$ 290 billion, declined by US\$ 1.8 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%.
- » The **call money rates** as on May 25, 2012 traded in the range of 7.5-8.2%.
- » One year **LIBOR** for US\$ as on 23 May stood at 0.73%.
- » At the **auction of government securities** held on Friday 25th May, the YTM for government stock to mature in 6 years, 9 years, 15 years and 24 years stood at 8.24%, 8.79%, 8.28% and 8.33% respectively.

Policy Development

- » Petrol rates were raised by Rs 7.54 per litre, the first hike in rates in six months. This is the steepest hike in petrol price ever, the previous high being Rs 5 per litre. However, rates of diesel, kerosene and cooking gas were not revised. Since November 2012, prices have risen by 14.5 per cent and the rupee has fallen in value against the US dollar by as much as 3.2% since then.
- » A White Paper on the issue of black money was tabled by Finance Minister Pranab Mukherjee in the Lok Sabha. The 97-page document pitched for fast-track courts to expeditiously deal with financial offences and deterrent punishment for offenders. It also suggested tax incentives for encouraging use of debit and credit cards as these would leave audit trails. The introduction of Goods and Services Tax, it stated, would also be a major step in this direction.



BANKING INDICATORS

			Rs. Billion
Indicators	Outstanding as on 4 May ,2012	% Variation over Fortnight	Year
Total Bank Credit	46,440.7	0.6	17.3
Food Credit	989	21.1	67.5
Non Food Credit	45,452	0.2	16.5
Aggregate Deposit	60,604.3	0.5	13.9
Broad Money (M3)	75,472.1	0.5	13.4
Credit Deposit Ratio	76.6		

Source: RBI

EQUITY MARKETS

- » Global equity markets improved moderately in the back of positive US consumer sentiments report. But concerns over deteriorating finances of Spain and rising possibilities of Greece's exit from the euro zone kept bourses volatile.
- » Amid the tumbling rupee and growing concerns about India's economic credentials, equity markets posted modest gains after posting four straight weeks of losses. The gains were triggered by a sharp increase in petrol prices, which raised hopes that the government is getting back into an active mode.
- » Total turnover during the week on BSE stood at Rs. 9,225 crore and on NSE at Rs. 44,916 crore.

Global Stock Indices	Closing Value as on 25 May 2012	Weekly Change (%)
NYSE: DJIA	12,455	0.7
FTSE 100	5,351.5	1.6
Nikkei 225	8,580.4	-0.4
Straits Times	2,773	-0.2
KOSPI	1,814.4	1.8

Source: Yahoo Finance

Net Institutional Activity

	Equity	Debt
Weekly FII (US \$ Million)	-153.7	33.4
Year -to-date FII (US\$ million)	8,570	3,378
Weekly Mutual Funds# (Rs Crore)	257.6	6,190

Source: SEBI

#as on 23 May, 2012

Indian Equity Indices	Closing Value on 25 May 2012	Week's % Change
BSE SENSEX	16,218	0.4
BSE 500	6,273	0.5
S&P CNX NIFTY	4,920.4	0.6
S&P CNX 500	3,910.6	0.6

Source: NSE, BSE

COMMODITY MARKETS

- » NYMEX Light Sweet Crude Oil for June delivery stood at US\$ 90.86 per barrel on May 25 2012, up by US\$ 0.2 per barrel from the previous week.
- » New York spot price for Gold was US\$ 1,569 per ounce as on 25 May 2012, up by US\$ 23.2 per ounce from the previous week.

Commodity Spot Indices	Closing Value as on 26 May 2012	Week's % Change
MCX AGRI	3,517	-1.7
MCX METAL	4,901	0.6
MCX ENERGY	3,377	0.1
MCX COMDEX	3,844	0.0

Source: MCX, NCDEX

INDUSTRY

Shipping

- As per the Working Group Report for 12th Plan for the Port Sector, Traffic to be handled by Major Ports and Non-Major Ports is estimated at 943.06 million tonnes and 815.20 million tonnes respectively. To meet the above projected demand, an estimated investment of Rs.1,80,626.63 crores will be made in the next 5 years. Further, proposals have been received from State Governments of Andhra Pradesh, Karnataka, Kerala and Gujarat to build new Ship building yards and/or major ports along their coasts.

Textiles

- To promote exports of andloom/handicraft products, Focus Product and Focus Market Schemes have been introduced. All countries are eligible for 4% duty scrip and under Focus Market Scheme exports of all commodities to specified countries are eligible for 3% duty scrip. Further, Marketing Support and Services Scheme encourages participation in International events abroad and brand image promotion.

Steel

- Indian Steel Industry is marred by low investments in R&D because of which the industry has not realized its complete potential. The Steel Ministry has proposed to encourage investment in R&D from the present level of 0.15 to 0.25% of sales turnover to at-least 1% of total turnover by 2015-16 and 2% by 2020. It also aims at further streamlining R&D investments in the steel industry through incentives and lays emphasis on phasing out obsolete production facilities.

BSE Indices	Closing Value on 24 May 2012	Week's % Change
AUTO INDEX	9,239	0.1
BANKEX	10,900	1.6
BSE CAPITAL GOODS	8,863	1.7
BSE CONSUMER DURABLE	6,301	-1.9
BSE FMCG	4,590	-2.3
BSE HEALTHCARE	6,640	0.3
BSE INFOTECH	5,523	0.2
BSE MID CAP	5,901	0.6
BSE SMALL CAP	6,318	1.0
BSE TECK INDEX	3,208	0.1
METAL INDEX	10,089	0.1
OIL & GAS INDEX	7,578	1.5

Source: BSE

CNX Segment Indices	Closing Value on 25 May 2012	Week's % Change
CNX NIFTY Junior	9519	0.4
CNX MIDCAP	6914	0.7
BANK NIFTY	9,456	1.6
CNX IT	5,880	0.2
CNX Realty	208	1.3
CNX Infrastructure	2174	0.9

Source: NSE

GLOBAL NEWS

USA

- » In the week ending May 19, the advance figure for seasonally adjusted initial claims was 370,000, a decrease of 2,000 from the previous week's revised figure of 372,000.

Europe

- » According to estimates issued by Eurostat, household electricity prices rose by 6.3% in the euro area between the second half of 2010 and the second half of 2011, after an increase of 5.6% between the second half of 2009 and 2010. Household gas prices also increased by 12.6% between the second half of 2010 and 2011, after a rise of 7.5% between the second half of 2009 and 2010.

Asia

- » The consumer price index for Japan in April 2012 was 100.4(2010=100), up 0.1% from the previous month, and up 0.4% over the year. The consumer price index for Ku-area of Tokyo in May 2012 (preliminary) was 99.2(2010=100), down 0.3% from the previous month, and down 0.5% over the year.
- » On a year-on-year basis, Singapore's manufacturing output declined 0.3% in April 2012. On a seasonally adjusted month-on-month basis, manufacturing output contracted 3.5% in April 2012.

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