

# Economy Update



» WEEKLY NEWSLETTER

» 30 April -6 May 2012

Dear Reader,

With the trade deficit turning out to be higher than expected in 2011-12 and capital inflows remaining volatile, the rupee got beaten down last week. Global news flow also remained disappointing with unemployment rates continuing to be high in the US and Europe. In an effort to induce greater capital inflows, the RBI allowed banks to set their own interest rate on lines of credit to exporters, and also increased the interest rate ceiling on non-resident deposits. Meanwhile, direct intervention by the RBI is also expected to moderate sharp volatility in the value of the rupee.

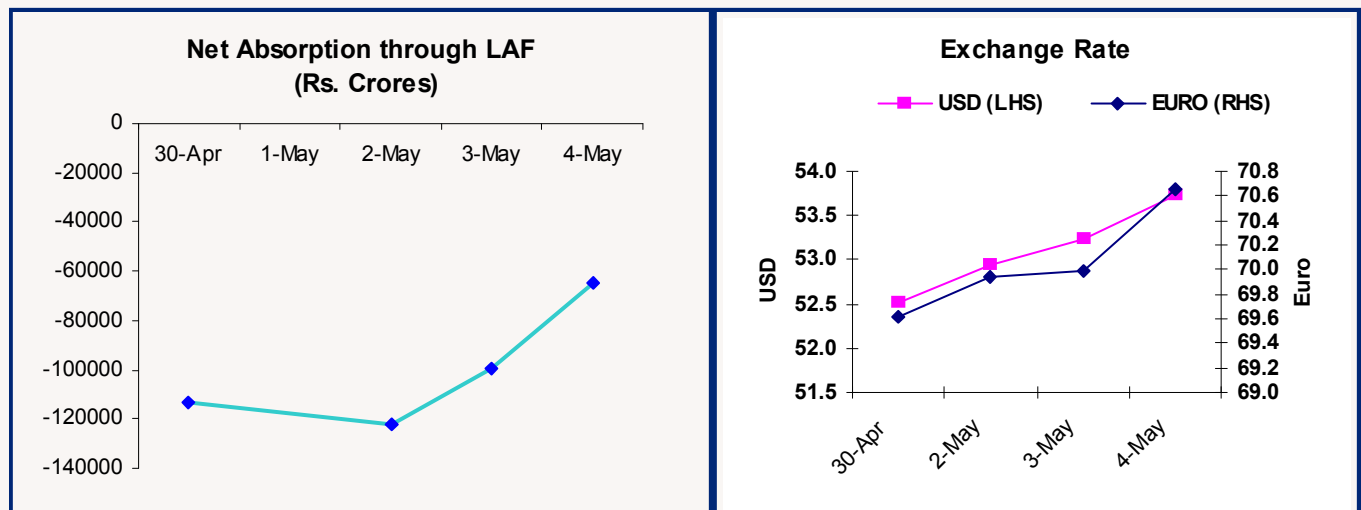
Chandrajit Banerjee  
(Director General, CII)

## INDICATORS

- » India's **exports** during March 2012 were valued at US\$ 28.7 billion which was 5.7% lower than the level of US\$ 30.4 billion during March 2011. Cumulative value of exports for the period April-March 2011-12 was US\$ 303.7 billion as against US\$ 251.1 billion, registering a growth of 20.9% over the same period last year.
- » India's **imports** during March 2012 were valued at US\$ 42.6 billion representing a growth of 24.3% over the level of imports valued at US\$ 34.3 billion in March 2011. Cumulative value of imports for the period April-March 2011-12 was US\$ 488.6 billion as against US\$ 369.8 billion registering a growth of 32.1% over the same period last year.
- » The **trade deficit** for April-March 2011-12 was estimated at US\$ 184.9 billion which was higher than the deficit of US\$ 118.6 billion during April-March 2010-11.
- » India will have a all-time high **food grain production** of over 252 MT in FY12 as compared to 235.9 MT output in FY11.
- » **Foreign Exchange Reserves** as on April 27, 2012 stood at US\$ 294.4 billion, increasing by US\$ 0.8 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%.

## Policy Development

- » The RBI has taken the following measures to ease foreign currency flows as also to enhance the availability of export credit in foreign currency:
  - ⇒ **Interest rate ceiling on Foreign Currency Non-Resident deposits** of banks has been raised from 125 basis points (bps) above the corresponding LIBOR/Swap rates to 200 bps for maturity period 1 year to less than 3 years, and 300 bps for maturity period of 3 to 5 years.
  - ⇒ The **ceiling rate on export credit in foreign currency** which was constraining the availability of credit to exporters in foreign currency has been deregulated by allowing banks to freely determine their interest rates on such credit
- » Supreme Court of India suspended mining operations and transportation of Iron ore in Bellary District, Karnataka, in view of over exploitation and subsequently also directed that no part of the iron ore production in Bellary shall be exported till further notice.



## BANKING INDICATORS

Indicators	Rs. Billion		
	Outstanding as on 20 April ,2012	% Variation over Fortnight	Year
Total Bank Credit	46,176.8	-1.6	17.6
Food Credit	816.4	2.7	87.2
Non Food Credit	45,360.4	-1.7	17.0
Aggregate Deposit	60,325.7	-1.0	13.3
Broad Money (M3)	75,128.0	-0.5	13.0
Credit Deposit Ratio	76.5		

Source: RBI

## EQUITY MARKETS

- » The global scenario continued to remain weak on account of poor indicators released in Europe and in US.
- » Indian equities ended at three-month lows last week, as sentiment was knocked down on concerns over the likelihood of foreign fund selling in view of uncertainties related to taxation of foreign institutional investors. The sharp fall in rupee did extensive damage to the market sentiment, leading to a fall on bourses.
- » Total turnover during the week on BSE stood at Rs. 7,709 crore and on NSE at Rs. 39,298 crore.

Global Stock Indices	Closing Value as on 4 May 2012	Weekly Change (%)
NYSE: DJIA	13,038.3	-1.4
FTSE 100	5,655.1	-2.1
Nikkei 225	9,380.3	-1.9
Straits Times	2,990.6	-0.1
KOSPI	1,989.2	0.7

Source: Yahoo Finance

### Net Institutional Activity

	Equity	Debt
Weekly FII (US \$ Million)	103.3	-159.5
Year -to-date FII (US\$ million)	8,810.4	3,208.8
Weekly Mutual Funds# (Rs Crore)	-274.5	3,466.1

Source: SEBI

#as on 3 May, 2012

Indian Equity Indices	Closing Value on 4 May 2012	Week's % Change
BSE SENSEX	16,831.1	-2.1
BSE 500	6,497.0	-2.3
S&P CNX NIFTY	5,086.9	-3.8
S&P CNX 500	4,050.9	-2.3

Source: NSE, BSE

## COMMODITY MARKETS

- » NYMEX West Texas Intermediate Crude Oil for May delivery stood at US\$ 98.5 per barrel on 2012, down by US\$ 6.4 per barrel from the previous week.
- » New York spot price for Gold was US\$ 1,645.3 per ounce as on 27 April 2012, down by US\$ 19.8 per ounce from the previous week.

Commodity Spot Indices	Closing Value as on 5 May 2012	Week's % Change
MCX AGRI	3,650.7	0.3
MCX METAL	4,984.8	-0.3
MCX ENERGY	3,522.9	-0.5
MCX COMDEX	3,957.5	-0.2

Source: MCX, NCDEX

## INDUSTRY

### Road

- » The Ministry of Road Transport & Highways constructed on an average 10.39 km of roads in a day against the target of 20 km a day in 2011-12 due to green hurdles and delays in land acquisition besides poor performance by some contractors.

### Agricultural Products

- » The value of export of agricultural products during 2008-09, 2009-10, 2010-11 and 2011-12 (April-July) are US\$ 13.3 billion, US\$ 11.3 billion, US\$17.0 billion respectively.

### Aviation

- » The Government will infuse about Rs 30,000 crore in cash strapped Air India over the next nine years as part of a turn around plan for the state run airline.

BSE Indices	Closing Value on 4 May 2012	Week's % Change
AUTO INDEX	10,024.4	-5.2
BANKEX	11,759.9	-4.0
BSE CAPITAL GOODS	9,397.5	-5.2
BSE CONSUMER DURABLE	6,610.4	-0.4
BSE FMCG	4,714.3	-1.5
BSE HEALTHCARE	6,802.8	0.4
BSE INFOTECH	5,733.3	2.9
BSE MID CAP	6,100.8	-2.7
BSE SMALL CAP	6,588.3	-2.1
BSE TECK INDEX	3,336.2	2.2
METAL INDEX	10,562.2	-3.7
OIL & GAS INDEX	7,737.8	-1.8

Source: BSE

CNX Segment Indices	Closing Value on 4 May 2012	Week's % Change
CNX NIFTY Junior	9,948.0	-1.5
CNX MIDCAP	7,215.5	-2.7
BANK NIFTY	9,802.4	-3.4
CNX IT	6,100.4	2.7
CNX Realty	216.8	-2.3
CNX Infrastructure	2,260.7	-3.5

Source: NSE

## GLOBAL NEWS

### USA

- » In the week ending 28 April, the advance figure for seasonally adjusted initial claims was 365,000, a decrease of 27,000 from the previous week's revised figure of 392,000.
- » US Non-farm payroll employment rose by 115,000 in April, and the unemployment rate was little changed at 8.1%. Employment increased in professional and business services, retail trade, and health care, but declined in transportation and warehousing.

### Europe

- » The euro area seasonally adjusted unemployment rate was 10.9% in March 2012, compared with 10.8% in February. It was 9.9% in March 2011. The EU 27 unemployment rate was 10.2% in March 2012, stable compared with February. It was 9.4% in March 2011.
- » Euro Area annual inflation is expected to be 2.6% in April 2012 according to flash estimates issued by Eurostat. It was 2.7% in March.

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