

Economy Update



» WEEKLY NEWSLETTER

» 4-10 June 2012

Dear Reader,

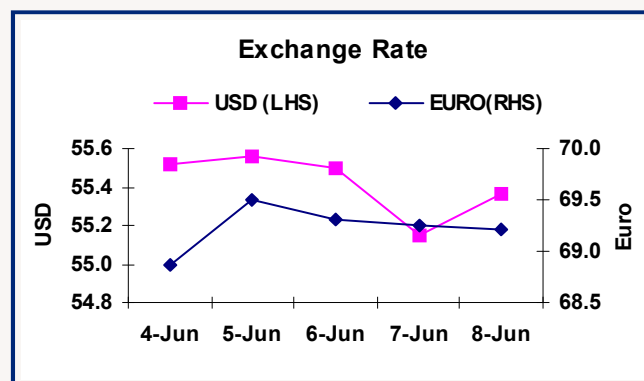
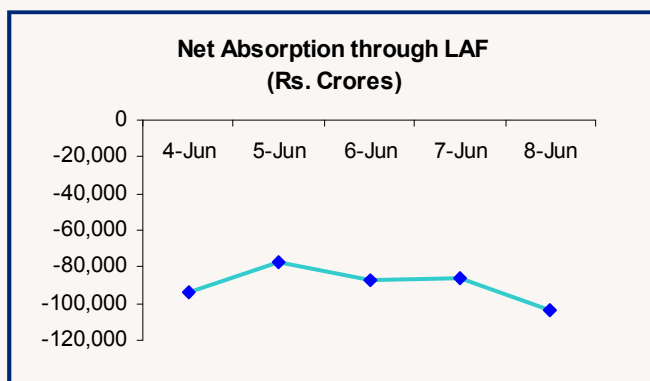
While global markets rebounded last week on expectation of stimulus measures, there were no signs of a recovery in the global economy. US data on employment and growth remained disappointing while Europe continued to slide into recession. The rate cut in China, the first since the global financial crisis, also signaled that economic conditions in emerging markets are deteriorating fast. India is also facing a sharp contraction in its growth rate warranting both fiscal and monetary measures to bring the economy back on track. Next week's data releases on industrial growth and inflation are now keenly awaited.

INDICATORS

- » Exports have gone up by 3.2% to US\$ 24.5 billion during April 2012 as compared to US\$ 23.7 billion in the same period last year, while imports have increased by 3.8% to US\$ 37.9 billion from US\$ 36.5 billion. Faster rise in imports over exports has led to widening of trade deficit to US\$ 13.5 billion as compared to US\$ 12.9 billion during April 2011.
- » Rise in imports is mainly due to faster rise in oil imports as compared to non-oil imports. Oil imports have increased by 7.0% to US\$ 13.9 billion during April 2012 from US\$13.0 billion in April 2011. On the other hand, non-oil imports have risen by 2.1% to US\$ 24.0 billion as compared to US\$ 23.5 billion.
- » **Foreign Exchange Reserves** as on June 1, 2012 stood at US\$ 285.9 billion, down by US\$ 2.4 billion from the previous week.
- » The **call money rates** as on June 8, 2012 traded in the range of 7.3-8.2%.
- » At the **Treasury bills auctions** held during the week, the YTM for 91-day T-Bills stood at 8.3%.

POLICY DEVELOPMENT

- » The Prime Minister has outlined an ambitious agenda for **infrastructure projects** in the country. It includes the construction of two new ports worth Rs. 35,000 crore, an airport costing Rs. 2,100 crore, an elevated-rail corridor in Mumbai with a total investment of Rs. 20,000 crore and an additional power capacity of 18,000-Mw to be added to current power capacity, including 2,000-Mw from the Kudankulam Atomic Power Project.
- » The Government has widened the **ambit of service tax**, and increased the rate from 2 to 12%, with the negative list coming into effect on July 1, 2012. Services to be taxed include air-conditioned travel by rail, transfer of goods by rail, tourism boats, arbitrators to business enterprises, banking services to government, telephone calls from hotels, and uplink to satellite. The finance ministry is targeting a growth of over 30% in service tax revenue in 2012-13.



BANKING INDICATORS

Indicators	Rs. Billion		
	Outstanding as on 18 May, 2012	% Variation over Fortnight	Year
Total Bank Credit	46,480.8	0.1	17.4
Food Credit	1,052.1	6.4	58.1
Non Food Credit	45,428.7	-0.1	16.9
Aggregate Deposit	60,582.9	-0.03	13.8
Broad Money (M3)	75,568.3	0.1	13.3
Credit Deposit Ratio	76.7		

Source: RBI

EQUITY MARKETS

» It was a good week for the major US stock indices as DJI, Nasdaq and S&P 500 moved up by 3.59%, 4.04% and 3.73% respectively, with DJI rising more than 400 points. This was mainly on account of good news from both Europe and China; ECB President said during the week that Europe would be willing to cut interest rates if it's deemed necessary, while China announced that it will lower its own interest rates by 25 basis points.

» The BSE Sensex and Nifty rose well over 2 percent as continued hopes the RBI would cut interest rates sparked a rally in sectors such as autos and banks.

» Total turnover during the week on BSE stood at Rs. 7,817 crore and on NSE at Rs. 39,871 crore.

Global Stock Indices	Closing Value as on 8 June 2012	Weekly Change (%)
NYSE: DJIA	12,461.0	2.8
FTSE 100	5,435.1	3.3
Nikkei 225	8,459.3	0.2
Straits Times	2,737.9	-0.3
KOSPI	1,835.6	0.1

Source: Yahoo Finance

Net Institutional Activity

	Equity	Debt
Weekly FII (US \$ Million)	-76.7	-105.3
Year -to-date FII (US\$ million)	8,397.0	4,064.1
Weekly Mutual Funds# (Rs Crore)	854.8	10,161.1

Source: SEBI

#as on 8 June, 2012

Indian Equity Indices	Closing Value as on 8 June 2012	Week's % Change
BSE SENSEX	16,718.9	4.7
BSE 500	6,429.1	4.1
S&P CNX NIFTY	5,068.4	4.7
S&P CNX 500	4,011.0	4.1

Source: NSE, BSE

COMMODITY MARKETS

» NYMEX West Texas Intermediate Crude Oil for July delivery closed down \$0.72 at \$84.10 per barrel.

» New York spot price for Gold was US\$ 1590.1 per ounce as on June 1, 2012, down by US\$ 29.6 per ounce from the previous week.

Commodity Spot Indices	Closing Value as on 9 June 2012	Week's % Change
MCX AGRI	3,510.2	0.9
MCX METAL	4,866.2	0.3
MCX ENERGY	3,040.1	-2.9
MCX COMDEX	3,700.3	-0.6

Source: MCX, NCDEX

INDUSTRY NEWS

Rural Infrastructure

» Union Rural Development Minister said that Planning Commission has agreed to provide **Rs1500 Crore** in the 12th Five year plan for developing infrastructure in rapidly urbanizing areas known as census towns in the new version of **PURA (Provision of Urban Amenities in Rural Areas)**. 10 to 15 projects will be taken up this year in the states like West Bengal, Uttar Pradesh, Tamil Nadu, Maharashtra, Kerala and Andhra Pradesh in a **public-private partnership** mode to build and improve upon the physical infrastructure. Each project is likely to cost about 150 crore rupees with Rural Development Ministry providing a **grant** of 40 to 50 crore rupees

Manufacturing Sector

» In a big push to concretize the operational contours of the **National Manufacturing Policy (NMP)**, the Government has established a **Manufacturing Industry Promotion Board (MIPB)**. The Board will periodically review the overall situation of the manufacturing sector in the country, along with state-wise/sector-wise performance. The Board will also review the implementation of the National Manufacturing Policy in general and the development of NIMZs, wherever approved, in particular.

BSE Indices	Closing Value as on 8 June 2012	Week's % Change
AUTO INDEX	9,192.2	5.9
BANKEX	11,513.8	7.8
BSE CAPITAL GOODS	9,485.6	7.0
BSE CONSUMER DURABLE	6,031.8	-2.0
BSE FMCG	4,680.8	2.0
BSE HEALTHCARE	6,635.0	1.2
BSE INFOTECH	5,617.1	1.2
BSE MID CAP	5,988.2	2.9
BSE SMALL CAP	6,326.1	2.1
BSE TECK INDEX	3,266.5	1.5
METAL INDEX	10,308.1	3.8
OIL & GAS INDEX	7,780.8	4.8

Source: BSE

CNX Segment Indices	Closing Value as on 8 June 2012	Week's % Change
CNX NIFTY Junior	9,732.5	3.1
CNX MIDCAP	7,033.9	3.7
BANK NIFTY	9,998.9	7.9
CNX IT	5,975.5	1.2
CNX Realty	219.5	7.3
CNX Infrastructure	2,306.3	7.7

Source: NSE

GLOBAL NEWS

USA

- » Nonfarm business sector labor productivity decreased at a 0.9 percent annual rate during the first quarter of 2012. The **decline in productivity** reflects increases of 2.4 percent in output and 3.3 percent in hours worked.
- » Total April **exports** of \$182.9 billion and total imports of \$233.0 billion resulted in a goods and services **deficit** of \$50.1 billion, down from \$52.6 billion in March, revised.

Europe

- Volume of **retail trade** fell by 1.1% in the
- » EU27 in April 2012, as compared to March 2012, while the retail sales index fell by 2.5% in the euro area and by 1.9% in the EU27 in April 2012 as compared to April 2011

Asia

- » On a year-on-year basis, **Singapore's manufacturing output** declined 0.3% in April 2012. Excluding biomedical manufacturing, output increased 0.5%. On a seasonally adjusted month-on-month basis, manufacturing output contracted 3.5% in April 2012.
- » China on June 7 announced the **first rate reduction** in more than three years to spur demand. The 25 basis-point move took one-year borrowing costs to 6.31 percent and the one-year deposit rate to 3.25 percent. China's **economic growth eased** to 8.1 percent in the first quarter from a year earlier and may slow to 7.7 percent in the three months through June, according to JPMorgan Chase & Co.

DISCLAIMER

Copyright © 2011 by Confederation of Indian Industry (CII), All rights reserved.

No part of this publication may be reproduced, stored in, or introduced into a retrieval system, or transmitted in any form or by any means (electronic, mechanical, photocopying, recording or otherwise), without the prior written permission of the copyright owner. CII has made every effort to ensure the accuracy of information presented in this document. However, neither CII nor any of its office bearers or analysts or employees can be held responsible for any financial consequences arising out of the use of information provided herein.

CII Economy Update is a weekly report prepared by the **CII Economic Research Group**. Reach us at: ecopolicy@cii.in



Confederation of Indian Industry

The Mantosh Sondhi Centre
23, Institutional Area, Lodi Road, New Delhi – 110 003 (India)
T: 91 11 24629994-7 • F: 91 11 24626149 • E: ecoresearch@cii.in • W: www.cii.in
Reach us via our Membership Helpline: 00-91-11-435 46244 / 00-91-99104 46244
CII Helpline Toll free No: 1800-103-1244