

# Economy Update



» WEEKLY NEWSLETTER

» 7-13 May 2012

## Dear Reader,

The decline in March industrial production was extremely disappointing. Even while factoring in last year's high base, a decline in production was not expected. All sectors have performed poorly, including capital goods as well as consumer goods. The high interest rate regime, which has already had an impact on the investment sentiment, is now having an impact on consumer demand for both durables and non-durables. This underlines CII's recommendation for further 100 basis points reduction in interest rates by December 2012, without which industrial growth is likely to further decelerate in 2012-13.

Chandrajit Banerjee

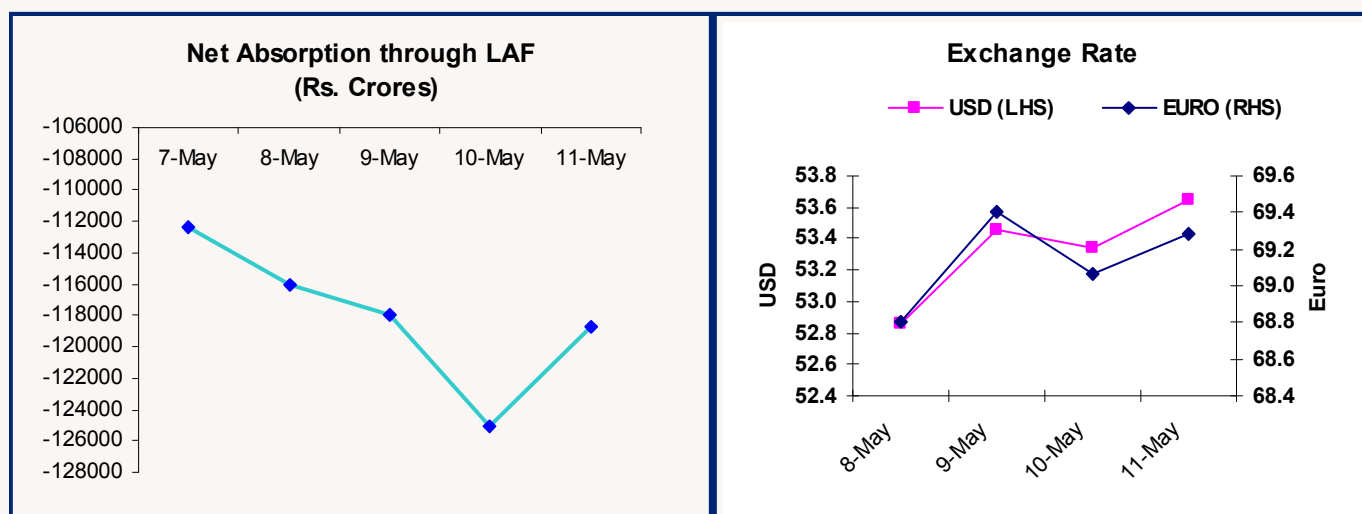
(Director General, CII)

## INDICATORS

- » The **Index of Industrial Production (IIP)** for the month of March 2012 declined by 3.5% as compared to a growth of 9.5% in March 2011. For the period April-March 2011-12 IIP grew at 2.8% as compared to 8.2% in the same period of the previous fiscal.
- » **Manufacturing sector** declined by 4.4% in March 2012 as compared to a growth of 11.0% in March 2011. **Mining sector** continued to perform poorly declining by 1.3% in comparison to a modest growth of 0.4% a year ago. **Electricity** production on the other hand moderated to 2.7% in March 2012 as compared to 7.2% in March 2011.
- » **Foreign Exchange Reserves** as on May 4, 2012 stood at US\$ 293.2 billion, declining by US\$ 2.2 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

- » According to a RBI circular, 50% of the balances in the Exchange Earner's Foreign Currency (EEFC) account should be converted forthwith into rupee balances and credited to the rupee accounts as per the directions of the account holder. In respect of all future forex earnings, an exchange earner is eligible to retain 50% (as against the previous limit of 100%) in non-interest bearing EEFC accounts. The balance 50% shall be surrendered for conversion to rupee balances.
- » The Insurance Regulatory and Development Authority (IRDA) has asked life insurers to stop selling highest net asset value (NAV) guaranteed products.



## 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 in red due to the rupee remaining volatile and ambiguity over GAAR (General Anti-Avoidance Rules). Also, the contraction of IIP added to the woes of the market.
- » Total turnover during the week on BSE stood at Rs. 10,822 crore and on NSE at Rs. 54,760 crore.

Global Stock Indices	Closing Value as on 11 May 2012	Weekly Change (%)
NYSE: DJIA	12,820.6	-1.7
FTSE 100	5,575.5	-1.4
Nikkei 225	8,953.3	-4.6
Straits Times	2,883.4	-3.6
KOSPI	1,917.1	-3.6

Source: Yahoo Finance

### Net Institutional Activity

	Equity	Debt
Weekly FII (US \$ Million)	-88.3	36.8
Year -to-date FII (US\$ million)	8,722.1	3,245.7
Weekly Mutual Funds# (Rs Crore)	26.1	-417.7

Source: SEBI

#as on 8 May, 2012

Indian Equity Indices	Closing Value on 11 May 2012	Week's % Change
BSE SENSEX	16,293.0	-3.2
BSE 500	6,300.7	-3.0
S&P CNX NIFTY	4,928.9	-3.1
S&P CNX 500	3,928.3	-3.0

Source: NSE, BSE

## COMMODITY MARKETS

- » NYMEX West Texas Intermediate Crude Oil for June delivery stood at US\$ 96.1 per barrel on May 11 2012, down by US\$ 2.4 per barrel from the previous week.
- » New York spot price for Gold was US\$ 1,584 per ounce as on 11 May 2012, down by US\$ 61.3 per ounce from the previous week.

Commodity Spot Indices	Closing Value as on 12 May 2012	Week's % Change
MCX AGRI	3,635.5	-0.4
MCX METAL	4,858.1	-2.5
MCX ENERGY	3,396.4	-3.6
MCX COMDEX	3,857.6	-2.5

Source: MCX, NCDEX

## INDUSTRY

### Telecom

- » The Telecom Regulatory Authority of India (TRAI) suggested a cut in the reserve price of CDMA spectrum from twice to 1.3 times the base price recommended for the 1,800 MHz band in states where airwaves less than 5 MHz are available for auction. It however, made no changes in its price recommendation for GSM spectrum auction.

### Auto

- » Passenger vehicles production in April 2012 increased by 7.9% as compared to 22.5% recorded a year earlier. Domestic Sales on the other hand recorded a growth of 9.3% in April 2012 as compared to 14.0% in April 2011.
- » Commercial vehicles production in April 2012 contracted by 4.8% as compared to a robust growth of 24.8% recorded a year earlier. Domestic Sales on the other hand recorded a growth of 4.4% in April 2012 as compared to 8.2% in April 2011.

### Energy

- » State oil firms plan to raise petrol prices after the end of the budget session of Parliament this month and revise them every fortnight to recover 5,000 crore past revenue losses.

BSE Indices	Closing Value on 11 May 2012	Week's % Change
AUTO INDEX	9,779.1	-2.4
BANKEX	10,835.7	-7.9
BSE CAPITAL GOODS	8,808.7	-6.3
BSE CONSUMER DURABLE	6,607.0	-0.1
BSE FMCG	4,617.9	-2.0
BSE HEALTHCARE	6,574.1	-3.4
BSE INFOTECH	5,481.9	-4.4
BSE MID CAP	5,948.7	-2.5
BSE SMALL CAP	6,395.4	-2.9
BSE TECK INDEX	3,208.5	-3.8
METAL INDEX	10,106.7	-4.3
OIL & GAS INDEX	7,547.9	-2.5

Source: BSE

CNX Segment Indices	Closing Value on 11 May 2012	Week's % Change
CNX NIFTY Junior	9,663.8	-2.9
CNX MIDCAP	6,985.8	-3.2
BANK NIFTY	9,398.1	-4.1
CNX IT	5,830.8	-4.4
CNX Realty	206.6	-4.7
CNX Infrastructure	2,191.9	-3.0

Source: NSE

## GLOBAL NEWS

### USA

- » In the week ending 5 May, the advance figure for seasonally adjusted initial claims was 367,000, a decrease of 1,000 from the previous week's revised figure of 368,000.
- » US exports for March stood at US\$ 186.8 billion and imports at US\$ 238.6 billion, resulting in a goods and services deficit of US\$ 51.8 billion, up from US\$ 45.4 billion in February.

### Europe

- » In March 2012 compared with February 2012, the volume of retail trade rose by 0.3% in the euro area and by 0.7% in the EU 27. In February retail trade fell by 0.2% and 0.5% respectively.
- » In March 2012, compared with February 2012, the industrial producer price index rose by 0.5% in the euro area and by 0.6% in the EU 27. In February prices increased by 0.6% and 0.9% respectively.

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