

# Economy Update



» WEEKLY NEWSLETTER

» 2-8 July 2012

## Dear Reader,

Central banks across the world took action last week, easing monetary policy in order to kick-start their faltering economies. While the ECB cut its policy rate to a record low of 0.75%, the Bank of England raised its asset purchase target by 50 billion pounds. In a surprise move, the People's Bank of China cut rates for a second time in a month by lowering lending rates to 6%. These moves reiterate the fact that global economic growth remains extremely weak and the RBI may need to move faster on easing monetary policy at home.

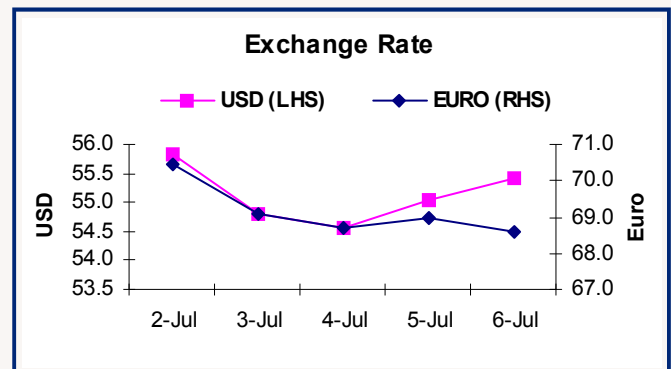
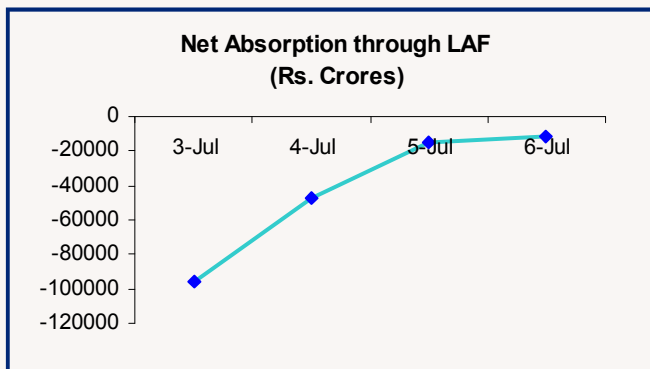
Chandrajit Banerjee  
(Director General, CII)

## INDICATORS

- » **Trade Deficit** during May 2012 reduced by US\$ 2.2 billion to US\$ 16.3 billion in comparison to US\$ 18.5 billion in the same period last year. This is due to faster decline in imports over moderation in exports. Exports declined by 4.2% to US\$ 25.7 billion during May 2012 as compared to US\$ 26.8 billion last year, while imports contracted at a much faster rate of 7.4% to reach at US\$ 41.9 billion over US\$ 45.3 billion. Swift decline in non-oil imports by 16.2% as compared to 14.0% growth in oil imports has triggered decline in the overall imports during May.
- » **Seasonal Rainfall** up to 4 July this year is still 30% below the Long Period Average for the country as a whole despite more rainfall over Central India and South Peninsula as compared to last week.
- » **Department of Agriculture and Cooperation** stated that as on 6 July 2012, sowing of rice, coarse cereals, oilseeds is lagging behind in this Khariff season and are currently sown in 55.4 lakh ha., 22.0 lakh ha., 26.6 lakh ha respectively. While, acreage under pulses, sugarcane and cotton has gone up to reach at 13.0 lakh ha., 52.8 lakh ha., 46.6 lakh ha. respectively.
- » **Foreign Exchange Reserves** as on June 29, 2012 stood at US\$ 290.0 billion, up by US\$ 1.4 billion from the previous week.
- » At the **Treasury Bills auctions** held during the week, the YTM for 91-day T-Bills stood at 8.3%.
- » The **Call Money Rates** as on 6 July 2012 traded in the range of 7.2-8.4%.

## POLICY DEVELOPMENT

- » The Centre has decided to exempt the railways from service tax of 12% on AC-class passenger fares and freight charges for three months, that is during 1 July to September 30. The government is expected to loses around Rs 3,200 crore annually due to the exemption on transportation of rail freight. However, the loss due to deferment of the tax on transportation of passengers would not be much as the government would not be required to pay input tax credit to the railways.
- » Union government referred the proposal to charge a one-time spectrum fee on existing telecom operators for the remaining period of their licences to an empowered group of ministers.
- » Small Industries Development Bank of India is looking to set up credit facilitation centre in 10 industrial clusters in next couple of months. Overall 400 such clusters have been identified to be covered by credit facilitation centres in the current fiscal year, 2012-13.



## BANKING INDICATORS

			<i>Rs. Billion</i>
Indicators	Outstanding as on 15 June, 2012	% Variation over Fortnight	Year
Total Bank Credit	47,146.6	0.1	17.8
Food Credit	1,055.4	-5.8	36.5
Non Food Credit	46,091.2	0.2	17.5
Aggregate Deposit	61,141.4	-0.4	14.3
Broad Money (M3)	76,216.5	-0.1	13.8
Credit Deposit Ratio	77.1		

Source: RBI

## EQUITY MARKETS

- » **Global shares** gained positively last week as interest rate cuts by European Central Bank and People's Bank of China outweighed the economic concerns mounted due to the continued slow down of Chinese economy and fall in orders for Japanese machineries.
- » **Indian stocks** gained mildly last week on the hopes of more policy reforms by the government. Consumer durable and Banking Indices gained the most.
- » **Total turnover** during the week on BSE stood at Rs. 9,047 crore and on NSE at Rs. 40,818 crore.

Global Stock Indices	Closing Value as on 6 July, 2012	Weekly Change (%)
NYSE: DJIA	12,896.7	2.3
FTSE 100	5,662.6	1.6
Nikkei 225	9,020.8	0.2
Straits Times	2,978.6	3.5
KOSPI	1,858.2	0.2

Source: Yahoo Finance

### Net Institutional Activity

	Equity	Debt
Weekly FII (US \$ Million)	855.0	191.7
Year -to-date FII (US\$ million)	9,437.8	4,175.6
Weekly Mutual Funds# (Rs Crore)	-488.5	15,141.0

Source: SEBI

#as on 5 July, 2012

Indian Equity Indices	Closing Value as on 6 July, 2012	Week's % Change
BSE SENSEX	17,521.1	0.5
BSE 500	6,766.8	1.3
S&P CNX NIFTY	5,317.0	0.7
S&P CNX 500	4,224.2	1.3

Source: NSE, BSE

## COMMODITY MARKETS

- » **NYMEX West Texas Intermediate Crude Oil** on 6 July 2012 was US\$ 84.5 per barrel, down by US\$0.5 per barrel from the previous week.

- » **New York spot price for Gold** was US\$ 1,578.9 per ounce as on 6 July 2012, down by US\$ 25.0 per ounce from the previous week.

Commodity Spot Indices	Closing Value as on 6 July, 2012	Week's % Change
MCX AGRI	3612.5	0.3
MCX METAL	4875.2	0.4
MCX ENERGY	3210.0	2.2
MCX COMDEX	3788.4	1.0

Source: MCX, NCDEX

## INDUSTRY NEWS

### Steel

» Steel Authority of India will invest Rs 3,000 crore to quadruple capacity of its Gua iron ore mine in Jharkhand to 10 million tonnes per annum (mtpa). This will cost Rs. 2,087 crore to the company. Besides, a 4 mtpa pellet plant will be set up with an investment of Rs. 865 crore.

### Space Research

» ISRO to develop its third launch pad at its spaceport at Sriharikota in Andhra Pradesh, which will be used to fulfill 60 missions in next five years. In next two years, ISRO is planning to launch 24 missions, which include launching of communication satellites and some foreign payloads. This new launching pad could also be used for launching Geosynchronous Satellite Launch Vehicle Mark III. In addition, a dedicated 'Space Park' will be developed next to the space port at Sriharikota.

### Tea

» The Tea Board of India is planning to come up with two regulatory councils – one each in North India and South India in next six months, which would be entrusted to monitor the quality of tea. However, these bodies will remain under the control of Tea Board of India.

BSE Indices	Closing Value as on 6 July, 2012	Week's % Change
AUTO INDEX	9,487.7	0.3
BANKEX	12,265.4	3.0
BSE CAPITAL GOODS	10,151.8	1.3
BSE CONSUMER DURABLE	6,448.9	3.9
BSE FMCG	4,910.2	-1.6
BSE HEALTHCARE	6,942.0	0.8
BSE INFOTECH	5,654.9	-1.9
BSE MID CAP	6,313.9	2.6
BSE SMALL CAP	6,822.5	4.3
BSE TECK INDEX	3,338.5	-0.2
METAL INDEX	11,001.9	2.0
OIL & GAS INDEX	8,060.7	-0.2

Source: BSE

CNX Segment Indices	Closing Value as on 6 July, 2012	Week's % Change
CNX NIFTY Junior	10,334.7	2.3
CNX MIDCAP	7,512.7	2.2
BANK NIFTY	10,655.4	3.0
CNX IT	6,027.3	-1.9
CNX Realty	233.1	4.5
CNX Infrastructure	2,471.1	2.3

Source: NSE

## GLOBAL NEWS

### USA

- » In the week ending June 30, the advance figure for seasonally adjusted initial claims of unemployment benefits was 374,000 a decrease of 14,000 from the previous week's revised figure of 388,000. The 4-week moving average was 385,750, a decrease of 1,500 from the previous week's revised average of 387,250.

- » Markit US Manufacturing Purchasing Managers' Index (PMI) reported the weakest improvement in business conditions in last 18 months during June 2012 at 52.5. It is marginally lower than the earlier projected estimate of 52.9 and down from 54.0 in May 2012.

### Europe

- » The European Central Bank has cut its main interest rate by a quarter-point to a record-low 0.75%, first time in its history after taking stock of weak economic outlook and absence of inflation threat. Whereas, Bank of England boosted its quantitative easing program by GBP 50 billion to GBP 375 billion, while kept interest rates unchanged.

### China

- » In order to bolster slowing economic growth, People's Bank of China has slashed benchmark lending rate by 31 basis points to 6.0%, second time in a months. While, deposit rate has been reduced by 25 basis points to 3.0%

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