

Economy Update



» WEEKLY NEWSLETTER

» 20-26 August 2012

Dear Reader,

All eyes are on the first-quarter 2012-13 GDP data to be released on 31 August 2012. The prospects don't look too bright as there is high probability of growth slipping below 6 per cent. The tell-tale signs of the economic slowdown are very evident. Both industrial production and exports have contracted in the first-quarter. Multi-year high interest rates in the economy have dampened investment sentiment. Thus, CII has been arguing for long for the RBI to cut interest rates in order to provide relief to the corporate sector and consumers alike.

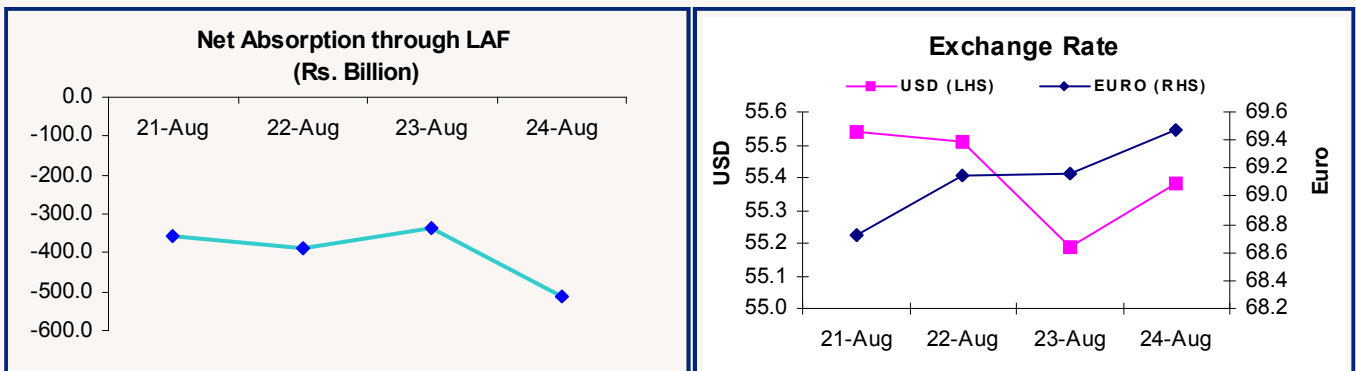
Chandrajit Banerjee
(Director General, CII)

INDICATORS

- » **Consumer Price Index (CPI)** remained flat at 9.9% in July 2012 on year on year basis for the second consecutive month. The major contributor to the retail inflation is the hike in vegetables prices of over 27%, followed by 17.4% rise in prices of oil and fats. Besides, prices of pulses & products, milk & products, egg, fish and meat, food & beverages, clothing, bedding & footwear surged in the range of 11-12.0%. The corresponding retail inflation for urban and rural areas remained at 10.1% and 9.8% respectively. Further, inflation in rural areas has increased marginally from 9.7% in June 2012, while in urban areas, inflation has declined from 10.4% in the same period.
- » **Seasonal Rainfall** for the country as a whole, up to 22 August 2012 was 14% below the Long Period Average against (LPA) 15% by the end of last week ending 15 August. The deficit has narrowed down due to continued good rainfall in northwest and central India in the last week as well. Overall, out of 36 meteorological subdivisions, the rainfall remained in excess/normal in 20 regions, deficient in 14 and scanty in 02 sub-divisions (Punjab and Saurashtra & Kutch), .
- » **Foreign Exchange Reserves** as on 17 August, 2012 stood at US\$ 288.9 billion, down by US\$ 0.3 billion from the previous week.
- » At the **Treasury Bills Auctions** held during the week, the YTM for 91-day T-Bills stood at 8.2%.
- » The **Call Money Rates** as on 24 August July 2012 traded in the range of 7.1-7.9%.

POLICY DEVELOPMENT

- » Reserve Bank of India has tightened the non-banking finance company (NBFC) securitisation norms. Under this, every non-banking finance company will have to retain at least 5% of the loan being sold to another entity. Besides, NBFC will not be able to sell or securitise a loan unless three monthly installments have been paid by the borrower.
- » Consumer Affairs Ministry is planning to place the draft on Forward Contract (Regulation) Amendment Bill before the new co-ordination committee of the United Progressive Alliance (UPA) to evolve a consensus on the proposed legislation.
- » Service tax of 12.36% to be imposed on the taxable services provided by the Film Artists with effect from 1st July 2012. It is a step in the direction of aligning with the nation wide preparation for the introduction of comprehensive goods and services tax (GST).



BANKING INDICATORS

			<i>Rs. Billion</i>
Indicators	Outstanding as on 10 August, 2012	% Variation over Fortnight	Year
Total Bank Credit	47,234.6	0.4	16.6
Food Credit	997.8	2.0	37.7
Non Food Credit	46,236.8	0.4	16.2
Aggregate Deposit	62823.5	0.6	14.3
Broad Money (M3)	77,845.9	0.7	13.9
Credit Deposit Ratio	75.2		

Source: RBI

EQUITY MARKETS

- » **Global share** prices crashed last week amidst persisting gloomy global economic situation, specially in Euro Zone; no clarity on another round of stimulus to Greece and Spain and speculation about temporary exit of Greece from Economic and Monetary Union (EMU).
- » **Indian stocks** remained nearly flat last week. Most of the BSE indices plunged except Infotech, FMCG, Auto, Health Care and Teck. Highest gains were reaped by BSE Infotech and FMCG indices.
- » **Total turnover** during the week on BSE stood at Rs. 5,947 crore and on NSE at Rs. 28,366 crore.

Global Stock Indices	Closing Value as on 24 August, 2012	Weekly Change (%)
NYSE: DJIA	13,057.5	-1.5
FTSE 100	5,776.6	-1.0
Nikkei 225	9,070.8	-0.2
Straits Times	3,050.5	-0.4
KOSPI	1,919.8	-1.9

Source: Yahoo Finance

Net Institutional Activity

	Equity	Debt
Weekly FII (US \$ Million)	118.5	17.6
Year -to-date FII (US\$ million)	11569	4,818.7
Weekly Mutual Funds# (Rs Crore)	-117.4	

Source: SEBI

#as on 23 August, 2012

Indian Equity Indices	Closing Value as on 24 August, 2012	Week's % Change
BSE SENSEX	17,783.2	0.7
BSE 500	6,774.2	0.2
S&P CNX NIFTY	5,386.7	0.4
S&P CNX 500	4,226.0	0.1

Source: NSE, BSE

COMMODITY MARKETS

- » **NYMEX West Texas Intermediate Crude Oil** on 24 August 2012 was US\$ 96.2 per barrel, up by US\$ 0.2 per barrel from the previous week.
- » **New York spot price for Gold** was US\$ 1,672.9 per ounce as on 24 August 2012, up by US\$ 56.4 per ounce from the previous week.

Commodity Spot Indices	Closing Value as on 24 August, 2012	Week's % Change
MCX AGRI	3,882.4	0.6
MCX METAL	5,048.1	3.3
MCX ENERGY	3,552.0	-0.4
MCX COMDEX	4,037.3	1.5

Source: MCX, NCDEX

INDUSTRY NEWS

Steel

- » Government is considering 10.8% disinvest of its stake in Steel Authority of India Ltd. (SAIL). Out of its current shareholding of 85.8%, the government to sell a part of its paid up equity through 'Offer for Sale of Shares through Stock Exchange Mechanism'.

Ports

- » Government has targeted to award 29 PPP and 13 non-PPP projects during 2012-13 involving a capacity addition of about 245 MTPA in the major ports. Most of the non-PPP projects are expected to get commissioned during the current fiscal year, while the PPP projects are likely to get completed in a span of 2-3 years from the time of their award.

Financial Services

- » Union Urban Development Ministry and WBHIDCO, Government of West Bengal to create an international financial hub in New Town, Kolkata. It will provide all financial services such as banking, insurance, mutual funds, offshore banking investments and debt. It is expected to generate a huge employment and investment capability. This hub will have facilities for data warehousing, disaster recovery, back up office and IT BPO centres, township infrastructure, human resources, IT and telecommunications.

BSE Indices	Closing Value as on 24 August, 2012	Week's % Change
AUTO INDEX	9,596.7	1.3
BANDEX	11,872.3	-0.9
BSE CAPITAL GOODS	9,928.6	-2.0
BSE CONSUMER DURABLE	6,306.0	-0.5
BSE FMCG	5,300.1	3.1
BSE HEALTHCARE	7,420.1	1.8
BSE INFOTECH	5,797.8	4.5
BSE MID CAP	6,119.2	-0.6
BSE SMALL CAP	6,574.8	-0.6
BSE TECK INDEX	3,290.7	2.8
METAL INDEX	10,422.3	-0.6
OIL & GAS INDEX	8,397.8	-1.5

Source: BSE

CNX Segment Indices	Closing Value as on 24 August, 2012	Week's % Change
CNX NIFTY Junior	10,101.7	-1.0
CNX MIDCAP	7,207.7	-1.1
BANK NIFTY	10,332.9	-0.9
CNX IT	6,170.7	4.3
CNX Realty	211.6	-4.2
CNX Infrastructure	2,319.7	-3.1

Source: NSE

GLOBAL NEWS

USA

- » In the week ending August 18, the advance figure for seasonally adjusted initial claims of unemployment benefits was 372,000 an increase of 4,000 from the previous week's revised figure of 368,000. The 4-week moving average was 368,000, an increase of 3,750 from the previous week's revised average of 364,250.
- » U.S. Manufacturing PMI index rose marginally to 51.9 in August 2012, against 51.4 in July 2012, reflecting marginal expansion in manufacturing output owing to rise in domestic orders. However, growth in new export orders fell due to weak economic conditions in key export markets.

Europe

- » Euro Zone PMI Composite Output Index stood at 46.6 in August 2012, against 46.5 in July 2012 indicating towards contraction in both manufacturing and services output owing to fall in new orders. Further, the crisis has started affecting its large economies like Germany, its composite PMI has dropped to a 38 month low at 47.0 in August from 47.5 in July.

China

- » Fall in new orders has led to a decline in HSBC Manufacturing PMI index to 47.8 in August 2012 from 49.5 in July 2012. It is the lowest level since last November and an indication of likely contraction in GDP in third consecutive quarter during 2012.

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