

# Economy Update



» WEEKLY NEWSLETTER

» 24-30 September 2012

## Dear Reader

The external account provided something to cheer about as the Balance of Payment (BoP) moved into a surplus, albeit a mild one in the first-quarter of the current fiscal, underpinned by a reduction in current account deficit amidst stable flows on the capital account. Gold imports moderated sharply mainly on account of the various policy measures announced to discourage such imports including increase in custom duty. This is indeed a propitious sign as they had proved to be chief nemesis of current account last year. CII expects the BoP to improve further during the course of the current fiscal due to expected improvement in capital flows, post the announcement of liquidity easing measures by various central banks globally and likely pick-up in exports.

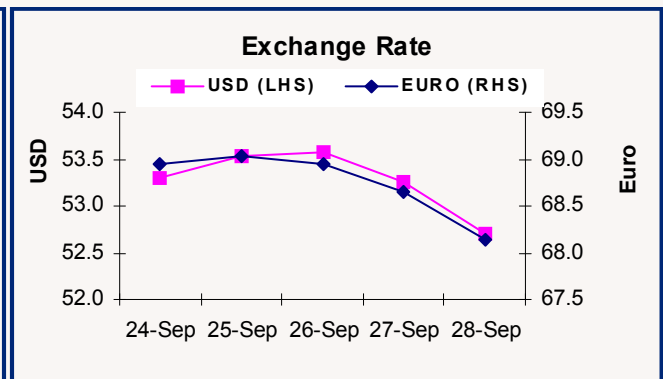
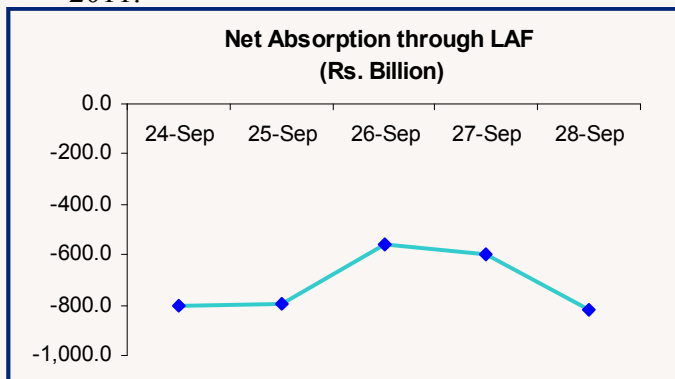
Chandrajit Banerjee  
(Director-General, CII)

## INDICATORS

- » Prime Minister has cleared the **Architecture of the Aadhaar-based System** to launch nationwide cash transfer system for subsidies and entitlements directly into the bank accounts of the beneficiaries. It will include wages for the National Rural Employment Guarantee Scheme, scholarships, pensions and health benefits.
- » **Core Sector Index** recorded a muted 2.1% rise in August 2012 as compared to 3.8% in the same period last year but remained higher than 1.0% growth in July 2012. Continuous weak performance is dimming hopes of any significant revival in industrial growth in coming months. Coal and refinery products output augmented robustly by 11.0% and 8.4% respectively, while natural gas production contracted by nearly 14.0% during August 2012.
- » During April-June 2012, **Current Account Deficit** declined in absolute terms due to moderation in trade deficit (decline in imports was sharper as compared with exports) and improvements in secondary income over the same period last year. However, as a proportion of GDP it rose marginally to 3.9% against 3.8% during April-June of the previous year.
- » **Foreign Exchange Reserves** as on 21 September, 2012 stood at US\$294.0 billion, down by US\$0.5 billion from the previous week.
- » At the **Treasury Bills Auctions** held during the week, the YTM for 91-day T-Bills stood at 8.1%.
- » The **Call Money Rates** as on 21 September 2012 traded in the range of 6.8-8.1%.

## POLICY DEVELOPMENT

- » Finance ministry has decided to freeze the long-pending proposal to have a separate debt management office (DMO). The move has been taken keeping in mind the high fiscal deficit of the country.
- » The Ministry of Statistics and Programme Implementation is planning an Annual Survey of Services (ASS). The first edition of the survey to be done by the National Sample Survey Organisation (NSSO), will cover data for 2013-14 and will be available in 2016. This is an attempt to have a comprehensive database for the services sector in the country.
- » Cabinet Committee on Economic Affairs has approved restructure package for the debt stricken power distribution companies; state governments to take over half of their short-term debt and the remaining to be rescheduled by lenders. Total debt stands at Rs. 1.9 lakh crore as on 31st March 2011.



## BANKING INDICATORS

Indicators	Rs. Billion		
	Outstanding as on 7 September, 2012	% Variation over Fortnight	Year
Total Bank Credit	47,496.9	0.6	16.6
Food Credit	947.0	-2.2	29.0
Non Food Credit	46,549.9	0.6	16.3
Aggregate Deposit	63,210.3	0.5	14.4
Broad Money (M3)	78,183.2	0.4	13.7
Credit Deposit Ratio	75.1		

Source: RBI

## EQUITY MARKETS

» **Global share** fell last week in response to weak manufacturing growth in China's manufacturing output and slow down in US economy. The US economic data indicated an unexpected decline in the business activities of Chicago area.

» **Indian stocks** gained marginally last week, remained unaffected by the continued down time in China and US. Pick up was noticed mainly in the Consumer Durables and FMCG indices.

» **Total turnover** during the week on BSE stood at Rs. 12,203 crore and on NSE at Rs. 69,297 crore.

Global Stock Indices	Closing Value as on 28 September, 2012	Weekly Change (%)
NYSE: DJIA	13,486.0	-0.8
FTSE 100	5,742.1	-1.9
Nikkei 225	8,870.2	-2.6
Straits Times	3,060.3	-0.6
KOSPI	1,988.7	-0.7

Source: Yahoo Finance

### Net Institutional Activity

	Equity	Debt
Weekly FII (US \$ Million)	1,769.9	-73.7
Year -to-date FII (US\$ million)	15,858.7	4,799.6
Weekly Mutual Funds# (Rs Crore)	-684.9	14,521.9

Source: SEBI

#as on 27 September, 2012

Indian Equity Indices	Closing Value as on 28 September, 2012	Weekly Change (%)
BSE SENSEX	18,762.7	0.1
BSE 500	7,206.5	1.0
S&P CNX NIFTY	5,703.3	0.2
S&P CNX 500	4,504.4	1.1

Source: NSE, BSE

## COMMODITY MARKETS

» **NYMEX West Texas Intermediate Crude Oil** on 28 September 2012 was US\$92.2 per barrel, down by US\$0.7 per barrel from the previous week.

» **New York spot price for Gold** was US\$ 1,773.9 per ounce as on 28 September 2012, down by US\$4.3 per ounce from the previous week.

Commodity Spot Indices	Closing Value as on 29 September, 2012	Weekly Change (%)
MCX AGRI	3,442.5	-5.3
MCX METAL	5,307.7	-1.4
MCX ENERGY	3,326.9	-1.5
MCX COMDEX	3,966.2	-2.1

Source: MCX, NCDEX

## INDUSTRY NEWS

### Telecom

- » Telecom Ministry has asked telecom companies not to charge roaming fees from next year. This move would lead to a revenue loss of upto Rs. 13,500 crore to the service providers. Currently, GSM operators such as Bharti Airtel, Vodafone and Idea Cellular earn 10-12% of their revenues from the national roaming services amounting to Rs. 10,000-Rs.13,500 crore.

### Ports

- » Cochin Shipyard Limited (CSL) will start a ship repair and maintenance facility at Cochin port by the year end. The Centre has granted an approval for Rs. 750 crore project. The Cochin Port Trust will provide around 45 acres of land on Willingdon Island, and the existing workshop complex, including buildings and machinery on a lease basis to CSL.

### Micro, Small and Medium Enterprises

- » UP government has announced MSME Township Policy 2012 to promote private participation in developing service sector oriented industrial townships. Minimum of 100 acres has been specified for service, technology & industrial park-based townships; 200 acres for education & logistics park based townships; 150 acres for medical & health townships and 25 acres for tourism-based townships.

BSE Indices	Closing Value as on 28 September, 2012	Weekly Change (%)
AUTO INDEX	10,413.2	1.4
BANKEX	13,138.7	0.8
BSE CAPITAL GOODS	10,957.5	2.1
BSE CONSUMER DURABLE	6,939.8	4.8
BSE FMCG	5,507.4	4.0
BSE HEALTHCARE	7,528.4	2.3
BSE INFOTECH	5,922.6	-1.0
BSE MID CAP	6,607.3	2.7
BSE SMALL CAP	7,017.9	3.1
BSE TECK INDEX	3,417.1	-1.0
METAL INDEX	10,528.2	-1.4
OIL & GAS INDEX	8,661.6	-2.2

Source: BSE

CNX Segment Indices	Closing Value as on 28 September, 2012	Weekly Change (%)
CNX NIFTY Junior	11,042.8	3.5
CNX MIDCAP	7,840.6	2.5
BANK NIFTY	11,456.8	0.9
CNX IT	6,313.8	-1.0
CNX Realty	245.4	3.9
CNX Infrastructure	2,526.0	0.8

Source: NSE

## GLOBAL NEWS

### USA

» In the week ending September 22, the advance figure for seasonally adjusted initial claims of unemployment benefits were 359,000, a decrease of 26,000 from the previous week's revised figure of 385,000. The 4-week moving average was 374,000, a decrease of 4,500 from the previous week's revised average of 378,500.

» Consumer spending rose by 0.1% in August 2012 from 0.4% in July 2012. Though the value of goods & services increased by 0.5%; of which 0.4% surge is due to price rise. Hike

in gasoline price has impacted the spending.

### Europe

» Spain's debt level and borrowing both are likely to mount next year. Debt to GDP ratio is likely to be around 90.5% by 2013 end. The government aims to save about 13 billion euros (US\$16.72 billion) next year by cutting spending on education, health, infrastructure investments and freezing public workers' wages.

### China

» China manufacturing contracted even in September 2012 as HSBC purchasing managers' index (PMI) remained below 50 at 47.9. This is due to sluggishness in both external and internal demand. This is putting pressure on government to revive growth in the economy.

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