

Economy Update



» WEEKLY NEWSLETTER

» 27 February-4 March 2012

Dear Reader,

The third quarter GDP data revealed further deceleration in the economy, with the manufacturing sector nearing stagnation and the mining sector contracting for the second consecutive quarter. The data also revealed that gross fixed capital formation continues to shrink, although the extent of decline has moderated from the previous quarter. The good news is that domestic consumption bounced back even as net exports moderated. CII is hoping that both the Union Budget and the Monetary Policy announcements expected in the coming week, will respond to the slowdown in investment and growth.

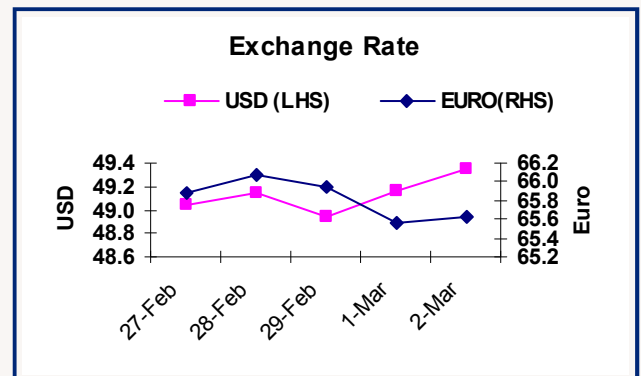
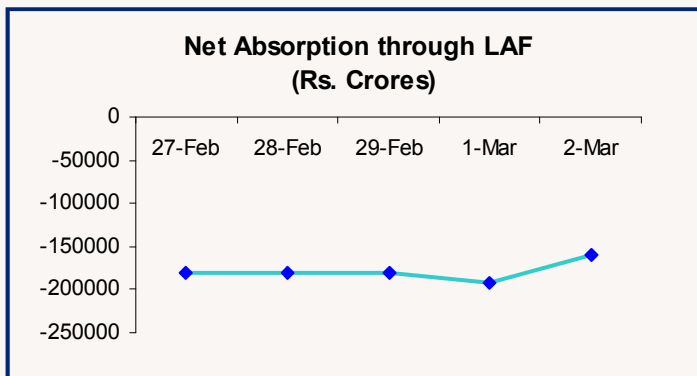
Chandrajit Banerjee
(Director General, CII)

INDICATORS

- » India's **GDP** for the third quarter of 2011-12 slowed down to 6.1% from 6.9% in Q2 of 2011-12, and 8.3% in Q3 2010-11.
- » **Agriculture** recorded a growth of 2.7% in Q3 2011-12 as compared to 3.2% in the preceding quarter and 11.0% in Q3 2011-12.
- » Industry grew at 2.6% in Q3 2011-12 as compared to 7.6% in the previous fiscal and 3.2% in Q2 2011-12.
- » **Services** sector grew at 8.9% in Q3 2011-12 as compared to 7.7% last year, but lower than 10.0% and 9.3% recorded in Q1 and Q2 2011-12 respectively.
- » **Foreign Exchange Reserves** as on February 24, 2012 stood at US\$ 295.0 billion, increasing by US\$ 1.6 billion from the previous week.
- » The **call money rates** as on March 2, 2012 traded in the range of 7.6-9.1%.

POLICY DEVELOPMENT

- » The Prime Minister's Office (PMO) has decided to more than triple the outlay for the health sector in the 12th Five Year Plan (2012-17) to reduce the personal healthcare expenses of Indians. With the increase, the government's spending on healthcare will rise to 2.5% of GDP by 2017 from an average of 0.9% in the five years ending 31 March 2012.
- » Directorate General of foreign Trade (DGFT) announced that India has banned cotton exports with immediate effect.



BANKING INDICATORS

| | | | Rs. Crore |
|----------------------|-------------------------------------|----------------------------|-----------|
| Indicators | Outstanding as on 10 February, 2012 | % Variation over Fortnight | Year |
| Total Bank Credit | 43,823.9 | 0.7 | 15.7 |
| Food Credit | 815.8 | -1.8 | 27.5 |
| Non Food Credit | 43,008.1 | 0.8 | 13.6 |
| Aggregate Deposit | 58,004.6 | 0.6 | 15.0 |
| Broad Money (M3) | 71,925.7 | 0.7 | 14.0 |
| Credit Deposit Ratio | 75.6 | | |

Source: RBI

EQUITY MARKETS

- » Major global markets posted moderate gains and the undertone remains positive despite signs of fatigue in the northward momentum. Since liquidity continues to remain high and news flow continues to remain positive, the momentum is still intact.
- » Volatility continued across Indian bourses due to lack of fresh triggers, continued concerns over soaring crude prices and its impact on the economy. High fiscal deficit and nervousness ahead of the results of key state assembly elections kept investors in the sideline.
- » Total turnover during the week on BSE stood at Rs. 14,630 crore and on NSE at Rs. 79,916 crore.

| Global Stock Indices | Closing Value as on 2 March 2012 | Weekly Change (%) |
|----------------------|----------------------------------|-------------------|
| NYSE: DJIA | 12,977.6 | 0.0 |
| FTSE 100 | 5,911.1 | -0.4 |
| Nikkei 225 | 9,777.0 | 1.3 |
| Straits Times | 2,993.5 | 0.5 |
| KOSPI | 2,034.6 | 0.7 |

Source: Yahoo Finance

Net Institutional Activity

| | Equity | Debt |
|----------------------------------|---------|----------|
| Weekly FII (US \$ Million) | 1,801.3 | 1,883.3 |
| Year -to-date FII (US\$ million) | 7,353.9 | 5,195.8 |
| Weekly Mutual Funds# (Rs Crore) | -563.5 | -1,273.1 |

Source: SEBI

#as on 1 March, 2012

| Indian Equity Indices | Closing Value on 2 March 2012 | Week's % Change |
|-----------------------|-------------------------------|-----------------|
| BSE SENSEX | 17,637.0 | -1.6 |
| BSE 500 | 6,827.8 | -0.6 |
| S&P CNX NIFTY | 5,359.4 | -1.3 |
| S&P CNX 500 | 4,256.0 | -0.7 |

Source: NSE, BSE

COMMODITY MARKETS

- » NYMEX West Texas Intermediate Crude Oil for January delivery stood at US\$ 106.7 per barrel on 2 March 2012, down by US\$ 3.1 per barrel from the previous week.
- » New York spot price for Gold was US\$ 1,709.7 per ounce as on 2 March 2012, down by US\$ 66.7 per ounce from the previous week.

| Commodity Spot Indices | Closing Value as on 3 March 2012 | Week's % Change |
|------------------------|----------------------------------|-----------------|
| MCX AGRI | 3,496.5 | -0.2 |
| MCX METAL | 4,932.6 | -0.1 |
| MCX ENERGY | 3,470.5 | -0.2 |
| MCX COMDEX | 3,887.9 | -0.2 |

Source: MCX, NCDEX

INDUSTRY NEWS

Aviation

- » Government owned oil companies have increased aviation turbine fuel (ATF) price by 3.2% in line with the rising global prices. Prices of ATF or jet fuel, in Delhi will be raised by Rs 2,039.24 per kl, or 3.25%, to Rs 64,596.36

Oil and Gas

- » Cairn India is looking at increasing output from the Rajasthan oilfields to 240,000 barrels a day from about 150,000 barrels/day, at present.
- » Indian Oil Corporation is exploring opportunities to create bio-jet fuel production capability through collaboration with overseas firms and has tied up with Pratt & Whitney of Canada (a world leader in the design, manufacture and services of aircraft) and select Canadian universities for the purpose.

Telecom

- » The upcoming auction for 2G airwaves will be open to all players including incumbent and new operators whose licenses have been cancelled by the Supreme court order.
- » According to Communications Minister Kapil Sibal, a spectrum auction for fourth-generation (4G) mobile services was planned by the end of the year. The auction could fetch the Government nearly Rs 13,000 crore for each 20 MHz block.

| BSE Indices | Closing Value on 2 March 2012 | Week's % Change |
|----------------------|-------------------------------|-----------------|
| AUTO INDEX | 9,860.0 | -1.7 |
| BANKEX | 12,022.1 | -0.4 |
| BSE CAPITAL GOODS | 10,301.2 | -2.5 |
| BSE CONSUMER DURABLE | 6,517.6 | -0.4 |
| BSE FMCG | 4,127.5 | -1.5 |
| BSE HEALTHCARE | 6,405.1 | 2.0 |
| BSE INFOTECH | 6,118.4 | -3.0 |
| BSE MID CAP | 6,359.3 | 0.9 |
| BSE SMALL CAP | 6,853.1 | -0.1 |
| BSE TECK INDEX | 3,610.4 | -1.9 |
| METAL INDEX | 11,969.3 | -0.9 |
| OIL & GAS INDEX | 8,608.0 | -0.5 |

Source: BSE

| CNX Segment Indices | Closing Value on 2 March 2012 | Week's % Change |
|---------------------|-------------------------------|-----------------|
| CNX NIFTY Junior | 10,375.1 | 0.4 |
| CNX MIDCAP | 7,651.0 | 0.8 |
| BANK NIFTY | 10,434.3 | -0.7 |
| CNX IT | 6,532.4 | -3.2 |
| CNX Realty | 248.6 | -4.3 |
| CNX Infrastructure | 2,618.3 | -0.8 |

Source: NSE

GLOBAL NEWS

USA

- » In the week ending 25 February, the advance figure for seasonally adjusted initial claims was 351,000, a decrease of 2,000 from the previous week's revised figure of 353,000.
- » Real GDP in US increased at an annual rate of 3.0% in the fourth quarter of 2011, according to the second estimate.

Europe

- » The Euro Area seasonally adjusted unemployment rate was 10.7% in January 2012, compared with 10.6% in December 2011. It was 10.0% in January 2011.
- » Euro Area annual inflation was 2.6% in January 2012, down from 2.7% in December 2011.

- » In December 2011 compared with November 2011, the Euro Area industrial new orders index rose by 1.9%, after a fall of 1.1% in November.
- » In January 2012, compared with December 2011, the industrial producer price index rose by 0.7% in both the Euro Area and the EU 27. In December 2011 prices fell by 0.2% in both zones.
- » Moody's Investor Services downgraded Greece's long term foreign currency debt to C from Ca

Asia

- » China pared the nation's economic growth target to 7.5% from 8.0% goal in place since 2005. Officials will also aim for inflation of about 4% this year, unchanged from 2011 goal.

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