Economy Briefs

STATSGURU: India resilient to US Fed taper impact this time around

The Federal Reserve is in the spotlight for its move to slow down its $85 billion a month of bond purchases, designed to pump money into the economy and nurture the recovery.In the middle of 2013, when the taper was first discussed, India was among the worst-affected emerging markets. This time, it hasn't suffered quite as much.

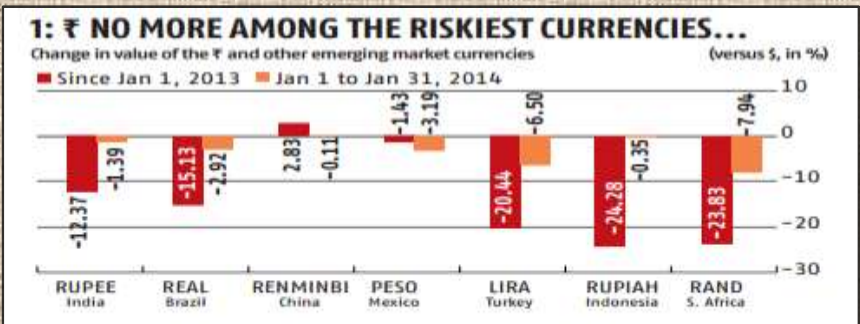


Table 1 shows, the rupee has lost a great deal against the dollar since January 1, 2013, but is not doing as badly this year to date.

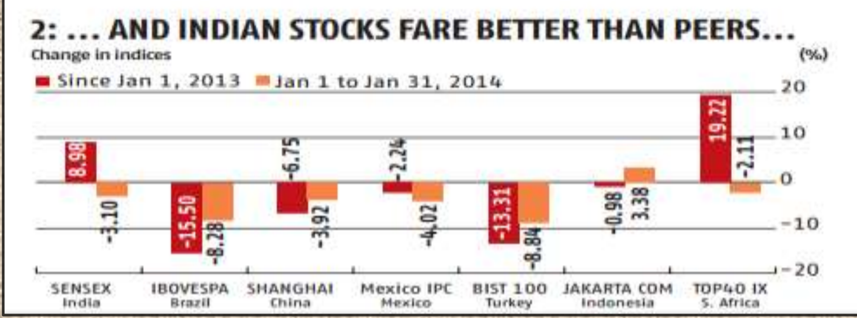
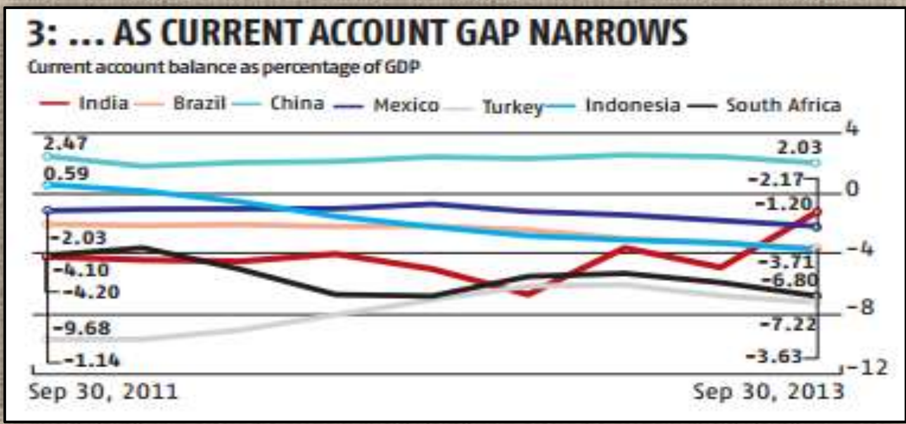
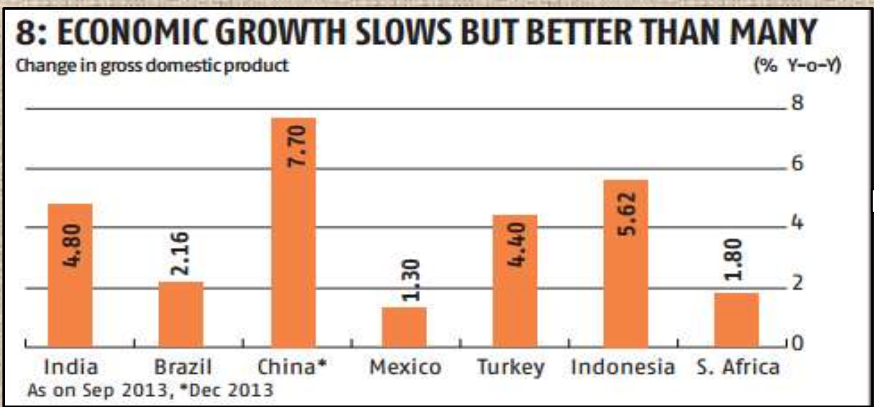


Table 2 shows nor has the stock market suffered as much as most peers



One big reason is shown in **Table 3**: India has done better than any other competitor in controlling its current account deficit



In terms of growth, laid out in India has slowed, but is still reasonable compared with peers

DOMESTIC Happenings

Volatility may Force a Rethink on Short-term Inflows into Govt Bonds

India's policy makers may review rules for foreign inflows into government bonds, with the intention of discouraging or shutting out investment in short-term instruments such as treasury bills and bonds with a maturity of less than a year. The review is part of an unwinding of special measures introduced last year to attract capital to address a record current account deficit. The proposed policy correction on short-term flows is being thought of, given the experience of volatility in the debt segment and the knock-on impact on the rupee and bond yields on account of a sharp sell-off in government bonds by foreign institutional investors (FIIs).

Post EM Mayhem,All Eyes on FIIs,Rupee

Market participants are looking for cues from foreign fund flows and rupee movement after the US Federal Reserve-induced tapering caused the emerging markets,including India,to go into a spin last week. Crucial support for Nifty is seen around the 6,000 level and resistance at 6,150 this week,after traders unwound long positions in the index last week. FIIs were seen hedging their cash market positions in F&O market.They bought over.4,600 crore in index options segment,while in index futures,they shorted over.2,600 crore.

DA may be Hiked by 10% to 100%

The Centre is likely to announce next month a hike in dearness allowance by 10% to 100%,benefiting about 50 lakh employees and 30 lakh pensioners.It would be the second double digit DA hike in a row.The government had announced a hike of 10% to 90 per cent in September last year,effective July 1,2013.According to an official source,the preliminary assessment suggests that dearness allowance hike will not be less than 10% and would be effective January 1 this year

INTERNATIONAL Happenings

Corruption Costs European Union 120 Billion Euros a Year

PARIS: despite its relatively clean image, the EU is losing atleast 120bn euros a year to corruption and more than three-quarters of citizens believe that the problem is widespread in their countries. The awarding of government business and political party financing are two areas dogged by shady dealings, Cecilia Malmstrom, the European commissioner for home affairs, told a news conference in Brussels. The commission study found that 56 percent of Europeans believe that corruption has increased in their countries in the last three years, an increase from 47 percent the last time such a study was conducted.

U.S. sees slowdown in manufacturing growth, construction spending

U.S. manufacturing activity slowed sharply in January on the back of the biggest drop in new orders in years, suggesting the economy had lost steam at the start of 2014.The economic picture was also darkened by other data on Monday showing spending on construction projects barely rose in December.The Institute for Supply Management (ISM) said its index of national factory activity fell to 51.3 last month, its lowest level since May 2013, from a recently revised 56.5 in December. U.S. stocks extended losses on the data, while prices for U.S. Treasury debt rose. The dollar fell against a basket of currencies.January's ISM figure was also well below the median forecast of 56 in a Reuters poll of economists, missing even the lowest estimate of 54.2. Readings above 50 indicate expansion.

China, France drag on global manufacturing revival

European manufacturers enjoyed a solid start to the year as order books swelled, but slower growth in the Chinese and U.S. goods-producing sectors raised some worries about global growth.Euro zone factories had their best month since mid-2011 and increased jobs for the first time in two years - a welcome sign for a region where unemployment remained at record highs.But recent data showed growth in China's manufacturing sector slowed to a six-month low, while its service sector grew at its slowest pace in five years.That could increase worries that weaker growth in Asia's economic powerhouse could spell trouble for markets and the world economy. Worries about Chinese growth were factors behind the recent selloff in emerging market assets.U.S. manufacturing also grew at a substantially slower pace last month as new order growth plunged the most in 33 years, although some economists said extremely cold winter weather was partly responsible.

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