

Budget among key events to watch out for in 2013

Here are the developments that will have a bearing on the economy, and your finances, as they unfold during the year.

POLICY REFORMS

When?

Parliament sessions

Expectations: The government is serious about reforms as is clear from the recent measures: partial deregulation of diesel prices, FDI in multibrand retail, pension, aviation, insurance. It's likely to pass a few more this year. A tighter regulatory regime for India Inc, especially real estate, is on the cards, besides reforms in land acquisition and new banking licences.

Why is it important?

Strong follow-up action on earlier reforms is a must to revive investment climate, remove uncertainty on economy, attract capital flows and avert downgrades in sovereign ratings.

MONETARY EASING

When?

RBI monetary policy reviews

Expectations: With inflation falling to more comfortable levels and the government pushing for reforms, the RBI is expected to slash interest rates gradually this year. It may cut by 100 bps (1%) by December, depending on the inflation trajectory.

Why is it important?

It will act as a tonic for a flagging economy and improve sentiment. A benign rate regime is needed to kickstart the investment cycle by allowing corporates to borrow at lower rates to fund their projects. It will improve business confidence and help corporates with highly leveraged balance sheets to cut interest outgo.

FUEL PRICE HIKE

When?

Small doses at regular intervals

Expectations: With the partial deregulation in diesel prices, expect hike in prices in small increments, possibly every month. Petrol prices will continue to be tweaked depending on movement of global crude oil price. The price of domestic natural gas could also rise if the government accepts the gas pricing formula suggested by the Prime Minister's Economic Advisory Council

Why is it important?

It may be a nuisance for consumers, but is needed for the economy. Not raising the prices of petro goods would lead to a rise in subsidy burden and a strain on government finances.

CORPORATE EARNINGS

When?

Apr-May, July-Aug, Oct-Nov

Expectations: Most experts predict that the earnings downgrade cycle for India Inc will bottom out. Hence, corporates are expected to post better results due to revival in investment climate.

Why is it important?

How corporate earnings shape up in 2013 will show the extent of anticipated recovery, or its lack, in the country's economic growth. The performance of companies in sectors such as automobiles, consumer durables, infrastructure and capital goods, will be a telling indicator of the health of the economy.

ELECTIONS

When?

Starting mid-February

Expectations: Legislative elections in India are scheduled for 10 assemblies in 2013. The tenure of the assemblies in Karnataka, Delhi, Tripura, Rajasthan, Nagaland, Mizoram, Meghalaya, Madhya Pradesh, Jammu and Kashmir and Chhattisgarh is due to expire during the year.

Why is it important?

The assembly elections will set the stage for general elections slated for next year. The stock market will take cues from any significant power shift in the key states of Delhi,

Madhya Pradesh, Karnataka and Jammu and Kashmir.

UNION BUDGET

When?

28 February

Expectations: Expect a restrained Budget even as the Centre gears up for the general elections. Likely measures could include a higher tax exemption on Section 80C investments, with no change in existing tax slabs or rates, except for a possible higher tax rate for the super-rich. Watch out for more tax concessions on home loans.

Why is it important?

The Budget assumes greater significance due to the deteriorating government finances. The RBI's actions on monetary policy will partly depend on the fiscal tightening proposals in the Budget.

GLOBAL EVENTS

When?

New US fiscal cliff deadline on 1 March, US Budget resolution on debt ceiling on April 15

Expectations: The US may have temporarily avoided falling off the 'fiscal cliff', but is not out of the woods. A showdown in the US is likely over the extent of spending cuts and tax hikes, as well as key talks over the raising of its 'debt ceiling' this month. Europe will also be on the edge as uncertainty continues to prevail in the region.

Why is it important?

For the US, a failure to close the deal could mean a default on sovereign debt or another downgrade in the US credit rating, which will have a spillover effect across the globe.

(Economic Times)