



Confederation of Indian Industry

Economy Update

Weekly Newsletter

10-16 October 2011

INDICATORS

Inflation Rate for the week ending 1 October 2011

Categories	Weekly	Annual
Primary articles	0.5	10.6
Fuel, power, light & lubricant	0.4	15.1

- The annual **inflation** in **primary articles** decreased to 10.6% for the week ended 1 October 2011, from 10.8% in the previous week.
- The annual **inflation** in **food articles** decreased to 9.3% for the week ended 1 October 2011 from 9.4% in the previous week, while annual inflation in **Non-Food articles** declined to 9.6% from 10.8% in the previous week.
- The **Index of Industrial Production** moderated to 5.6% for April-August 2011 from 8.7% recorded in the same period last year. For August 2011, IIP stood at 4.1% as compared to 4.5% in August 2010.
- Inflation of **all commodities** for the month of September stood at 9.7% as against 9.8% in August. **Food inflation** decreased to 9.2% as compared to 9.6% in August and **Non-Food inflation** moderated to 14.8% from 17.8% a month earlier. Manufactured product inflation decreased from 7.8% in August to 7.7% in September.
- **Foreign Exchange Reserves** as on 30 September 2011 stood at US\$ 312.3 billion, up by US\$ 0.8 billion from the previous week.
- At the **Treasury bills** auctions held during the week, the YTM for 91-day T-bills stood at 8.5%.
- The **call money rates** as on 14th October 2011, traded in the range of 6.8-8.3%



Dear Reader,

The industrial slowdown continued to be reflected in the August data released last week. Industry now has serious concerns about the likely growth rate for 2011-12. If industrial growth moderates to below 7.0%, it will not be possible to achieve 8.0% GDP growth in the current financial year. At the same time, inflation continues to remain above 9.5% giving the RBI reason to justify another rate hike at its upcoming monetary policy review on October 25.

Chandrajit Banerjee

Director General, CII

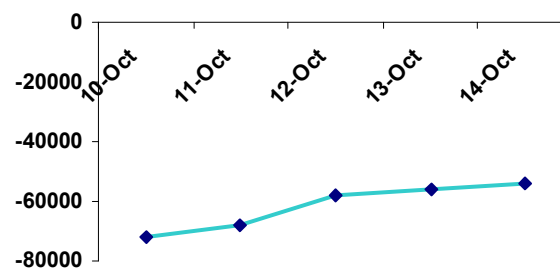
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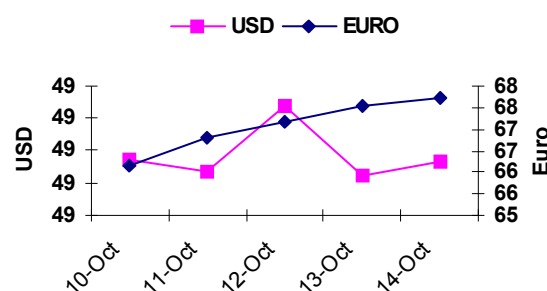
POLICY DEVELOPMENT

- The Reserve Bank of India restored a 2% interest subvention on rupee credit of exporters from labor intensive and small-scale industries. The sop will be available to these exporters with retrospective effect from April 2011 and until march 31, 2012. Exporters of handicrafts, hand-looms carpets and gems and jewellery will benefit.
- In a bid to attract investments in mining related R&D and exploration, the government proposes to relax entry and exit norms for foreign venture capital funds in this high risk sector and offer them tax incentives akin to those available for pharmaceutical firms.

Net Absorption through LAF (Rs Crore)



Exchange Rate



BANKING INDICATORS

Indicators	Outstanding as on 23 September,2011	% Variation over	
		Fortnight	Year
Total Bank Credit	40,93,155	0.5	19.5
Food Credit	68,245	-7.0	44.5
Non Food Credit	40,24,910	0.6	17.4
Aggregate Deposit	55,30,267	0.2	17.5
Broad Money (M3)	68,58,829	0.0	16.3
Credit Deposit Ratio	74.0		

Source: RBI

EQUITY MARKETS

- Global stock markets rose sharply last week on optimism over the resolution to the European debt crisis.
- US bourses saw an upturn, on account of positive retail data released in the previous week and the expectation of reaching a solution to the Euro debt problem.
- Indian markets too showed positive gain on hopes of progress towards a solution to the Euro zone's debt crisis, risk appetite also improved as Slovakia voted in favor of EFSF. Also, Inflation in September was more or less in line with expectations which had no major negative surprise.
- Total turnover during the week on BSE stood at Rs. 12,237 crore and on NSE at Rs. 56,265 crore.

COMMODITY MARKETS

- NYMEX **West Texas Intermediate Crude Oil** for November delivery stood at US\$ 82.9 per barrel on 7 October 2011, down by US\$ 1.6 per barrel from the previous week.
- New York **spot price for Gold** was US\$ 1,683.1 per ounce as on 14 October 2011, up by US\$ 45.4 per ounce from the previous week.

Global Stock Indices	Closing Value as on 14 October 2011	Weekly Change (%)
NYSE: DJIA	11,644.5	4.9
FTSE 100	5,466.4	3.1
Nikkei 225	8,748.0	2.7
Straits Times	2,744.2	3.9
KOSPI	1,835.4	4.3

Source: Yahoo Finance

Indian Equity Indices	Closing Value on 14 October 2011	Week's % Change
BSE SENSEX	17,082.7	5.2
BSE 500	6,567.1	4.5
S&P CNX NIFTY	5,132.3	5.0
S&P CNX 500	4,090.7	4.5

Source: NSE, BSE

Net Institutional Activity

	Equity	Debt
Weekly FII (US \$ Million)	462.3	571.5
Year -to-date FII (US\$ million)	-101.5	4,251.6
Weekly Mutual Funds# (Rs Crore)	635.8	3,354.5

Source: SEBI

#as on 5 Oct, 2011

Commodity Spot Indices	Closing Value as on 15 October 2011	Week's % Change
MCX AGRI	3,112.7	2.2
MCX METAL	4,524.4	0.6
MCX ENERGY	2,946.8	2.7
MCX COMDEX	3,457.5	1.5

Source: MCX, NCDEX

INDUSTRY NEWS

BSE Indices	Closing Value on 14 October 2011	Week's % Change
AUTO INDEX	8,849.4	-0.1
BANKEX	11,064.5	6.9
BSE CAPITAL GOODS	11,042.2	2.0
BSE CONSUMER DURABLE	6,703.8	5.6
BSE FMCG	3,992.0	2.4
BSE HEALTHCARE	5,900.6	1.0
BSE INFOTECH	5,698.9	8.7
BSE MID CAP	6,189.9	3.9
BSE SMALL CAP	6,908.0	2.8
BSE TECK INDEX	3,453.4	8.1
METAL INDEX	11,327.0	3.8
OIL & GAS INDEX	8,859.5	4.8

Source: BSE

Pharma

- The government will use the Competition Commission of India (CCI) and the Foreign Investment Promotion Board (FIPB) to keep a watch on acquisitions in the pharma sector to stave off the possibility of cartelization and dominance by multi national companies.
- While there will be no change to the automatic approval norm for Greenfield proposals involving 100% foreign direct investment (FDI) in the sector, so called brown field proposals, or those involving the acquisition of Indian pharma companies by multinationals are set to face closer scrutiny.

Telecom

- Telecom minister, Kapil Sibal unveils the draft National Telecom Policy 2011.

Highlights

- Allow spectrum sharing and trading
- De-link spectrum from licenses and sell it through market process
- Frame and exit policy for telecom operators
- Create single national license to abolish roaming charges, and allow portability across cities
- Ease acquisition rules for telecom service providers
- Provide incentives and encourage locally-made telecom equipment
- Review TRAI Act
- Make 500MHz of spectrum available by 2020
- Seek infrastructure sector status for telecom
- Boost rural tele density to 60% by 2017 from the current 35%
- Achieve 175 million broadband connection by 2017.

CNX Segment Indices	Closing Value on 14 October 2011	Week's % Change
CNX NIFTY Junior	9,895.0	4.0
CNX MIDCAP	7,136.0	3.5
BANK NIFTY	9,660.4	6.9
CNX IT	6,119.7	8.5
CNX Realty	247.1	5.3
CNX Infrastructure	2,645.8	3.4

Source: NSE

GLOBAL NEWS

USA

- In the week ending 8 October, the advance figure for seasonally adjusted initial claims was 404,000, a decrease of 1,000 from the previous week's revised figure of 405,000.
- US exports for the month of August stood at US\$ 177.6 billion and imports at US\$ 223.2 billion. Consequently, trade deficit in goods and services stood at US\$ 45.6 billion, virtually unchanged from July.
- US retail sales for September rose 1.1% with strong auto purchases providing a big boost.
- The Thomson Reuters/University of Michigan's preliminary reading on the overall index on consumer sentiment sagged to 57.5 from 59.4 the month before.

Europe

- The first estimate for Euro Area trade with the rest of the world in August 2011 gave a 3.4 billion euro deficit, compared with a deficit of 6.3 billion euro in August 2010.
- Euro Area annual inflation was 3.0% in September 2011, up from 2.5% in August. A year earlier the rate was 1.9%.
- In August 2011 compared with July 2011, seasonally adjusted industrial production rose by 1.2% in the euro area and by 0.9% in the EU 27.

Asia

- China's Consumer Price Index (CPI), a main gauge of inflation, eased to 6.1% in September, after having reached a 37 month high of 6.5% in July.

Disclaimer

The data used here are from various published and electronically available primary and secondary sources. Despite due diligence, the source data may contain occasional errors. In such instances, CII is not responsible for such errors.

CII Economy Update is a weekly report prepared by the **CII Economic Research Group**.
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