



Confederation of Indian Industry
Since 1895

Economy Update

Weekly Newsletter

11-17 April 2011

INDICATORS

Inflation Rate for the week ending 2 April 2011

| Categories | Weekly | Annual |
|--------------------------------|--------|--------|
| Primary articles | 1.3 | 11.4 |
| Fuel, power, light & lubricant | 0.6 | 13.0 |

- The annual **inflation** in **food articles** decreased to 8.3% for the week ended 2 April 2011, from 9.2% in the previous week.
- The **annual inflation** for the month of March 2011 stood at 9.0% as compared to 8.3% in February. The rise in inflation is attributed to the increase in the index of fibres, cotton textiles, fruits and fuel and power.
- RBI's latest survey on **inflation expectation** shows that Indian consumers expect wholesale price inflation to increase by 13.1% in December.
- **Foreign Exchange Reserves** as on 8 April 2011 stood at US \$ 308.2 billion, up by US\$ 2.7 billion from the previous week.
- The **call money rates** as on 15 March 2010 traded in the range of 3.8 – 6.9%.
- At the **Treasury bills auctions** held during the week, the YTM for 91-day T-Bills stood at 7.2%.



Dear Reader,

March inflation was reported at 9.0%, reversing the moderating trend seen earlier. Even as inflation in primary articles moderated, fuels and manufactured products witnessed rising inflationary pressure. The increase in global commodity prices has also exerted pressure on the cost of raw materials for the corporate sector, which is likely to experience some pressure on their operating margins in the quarter ending March 2011. The RBI, which continues to increase interest rates, is hoping that the economy will slow down moderately in 2011-12 so that demand side pressures do not further add to inflation. In other words, if the RBI is successful, the economy should see a soft landing in the current year, with some moderation in both growth and inflation.

Chandrajit Banerjee

Director General, CII

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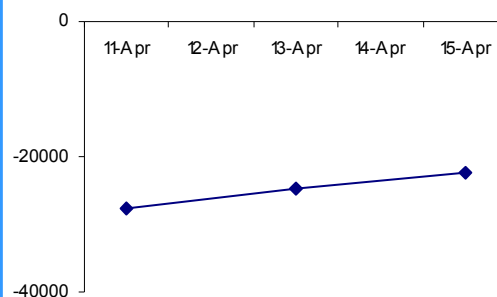
- Markets
- World Economic Outlook
- Industry News
- Global News

WORLD ECONOMIC OUTLOOK

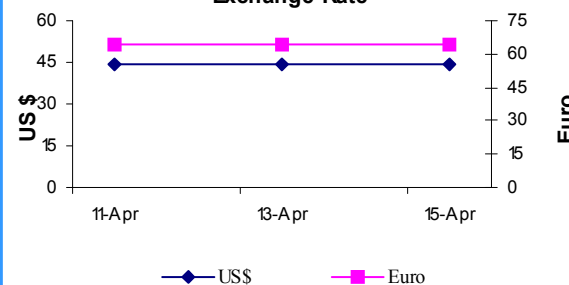
| | 2009 (%) | 2010 (%) | Projections (%) |
|--------------|----------|----------|-----------------|
| | | | 2011 |
| World | -0.5 | 5.0 | 4.4 |
| USA | -2.6 | 2.6 | 2.3 |
| UK | -4.9 | 1.3 | 1.7 |
| France | -2.5 | 1.5 | 1.8 |
| Germany | -4.7 | 3.5 | 2.5 |
| Japan | -6.3 | 3.9 | 1.4 |
| China | 9.2 | 10.3 | 9.6 |
| India | 5.8 | 10.4 | 8.2 |
| Brazil | -0.6 | 7.5 | 4.5 |
| South Africa | -1.8 | 3.0 | 3.5 |

- According to the IMF the global economy is expected to grow at 4.4% in 2011
- India's' growth projection has been revised downwards to 8.2% from 8.4% in 2011

Net Absorption through LAF (Rs Crore)



Exchange Rate



BANKING INDICATORS

| Indicators | Outstanding as on 25 March ,2011 | % Variation over | |
|-----------------------------|-------------------------------------|------------------|-------------|
| | | Fortnight | Year |
| Total Bank Credit | 39,38,659 | 2.1 | 21.4 |
| Food Credit | 64,283 | -2.7 | 32.6 |
| Non Food Credit | 38,74,376 | 2.3 | 21.4 |
| Aggregate Deposit | 52,04,703 | 1.3 | 15.8 |
| Broad Money (M3) | 64,32,753 | 1.2 | 16.6 |
| Credit Deposit Ratio | 75.7 | | |

Source: RBI

EQUITY MARKETS

- Most global Indices remained in red as concerns of inflation continue to weigh on markets and threaten to slow consumer demand and curb the global recovery..
- Asian stocks remained depressed as China's inflation hit a record high since 2008, despite continued efforts from the Government to lower cost of living and food prices.
- Indian key benchmark indices witnessed huge sell off and ended in red. The sell off was seen on account of high inflation and fears of the economy overheating as stated by IMF. IMF also revised downward India's growth to 8.4% for 2011. Negative sentiment was also on account of Infosys' earnings below expectation. As a result BSE InfoTech and CNX IT saw a 4.6% dip from last week.
- Total turnover during the week on BSE stood at Rs 9,742 crore and at NSE at Rs 37,967 crore.

COMMODITY MARKETS

- NYMEX **light sweet Crude Oil** for May delivery stood at US \$ 109.7 per barrel on 15 April 2011, down by US\$ 3.1 per barrel from the previous week.
- New York **spot price for Gold** was US \$ 1,485.3 per ounce as on 15 April 2011, up by US\$ 12.2 per ounce.

| Global Stock Indices | Closing Value as on 15 April 2011 | Weekly Change (%) |
|----------------------|-----------------------------------|-------------------|
| NYSE: DJIA | 12,341.8 | -0.3 |
| FTSE 100 | 5,996.0 | -1.0 |
| Nikkei 225 | 9,591.5 | -1.8 |
| Straits Times | 3,153.3 | -1.1 |
| KOSPI | 2,140.5 | 0.6 |

Source: Yahoo Finance

| Indian Equity Indices | Closing Value on 15 April 2011 | Week's % Change |
|--------------------------|--------------------------------|-----------------|
| BSE SENSEX | 19,386.8 | -0.3 |
| BSE 500 | 7,527.5 | -0.1 |
| S&P CNX NIFTY | 5,824.6 | -0.3 |
| S&P CNX 500 | 4,679.8 | -0.1 |

Source: NSE, BSE

Net Institutional Activity

| | Equity | Debt |
|---|----------------|----------------|
| Weekly FII (US \$ Million) | 19.3 | 732.1 |
| Year -to-date FII (US\$ million) | 1,015.2 | 2,598.8 |
| Weekly Mutual Funds# (Rs Crore) | 421.3 | 4,490.3 |

Source: SEBI

#as on 13 April, 2011

| Commodity Spot Indices | Closing Value as on 15 April 2011 | Week's % Change |
|------------------------|-----------------------------------|-----------------|
| MCX AGRI | 2,664.2 | -1.4 |
| MCX METAL | 4,618.3 | 1.0 |
| MCX ENERGY | 3,317.9 | -1.5 |
| MCX COMDEX | 3,549.7 | -0.3 |

Source: MCX, NCDEX

INDUSTRY NEWS

Telecom

- According to the new renewal terms for telecom licenses, an operator would have to apply 30 months in advance of the expiry of its license for renewal. The renewed license will be valid for 10 years, half the lifespan of existing ones.

Steel

- According to SAIL, steel consumption in India is expected to grow over 10% in the current financial year 2011-12, ahead of 8.5% growth in the country's GDP.

Oil

- State owned oil firms will lose over Rs 1,77,500 crore on selling fuel at government controlled rates this fiscal, 68% more than what they lost when crude oil touched an all time high in 2008-09.

BPO

- India's domestic market for BPO is projected to grow over 23% to touch US\$ 1.4 billion

| BSE Indices | Closing Value on 15 April 2011 | Week's % Change |
|-----------------------------|--------------------------------|-----------------|
| AUTO INDEX | 9,439.1 | 0.4 |
| BANKEX | 13,383.0 | 0.6 |
| BSE CAPITAL GOODS | 13,979.3 | 1.7 |
| BSE CONSUMER DURABLE | 6,381.2 | -0.7 |
| BSE FMCG | 3,713.7 | 2.1 |
| BSE HEALTHCARE | 6,142.0 | 0.3 |
| BSE INFOTECH | 6,258.5 | -4.6 |
| BSE MID CAP | 7,209.2 | 0.5 |
| BSE SMALL CAP | 8,808.2 | 0.4 |
| BSE TECK INDEX | 3,751.3 | -3.1 |
| METAL INDEX | 16,334.5 | -0.8 |
| OIL & GAS INDEX | 10,031.7 | -0.6 |

Source: BSE

| CNX Segment Indices | Closing Value on 15 April 2011 | Week's % Change |
|---------------------------|--------------------------------|-----------------|
| CNX NIFTY Junior | 11,606.2 | 0.5 |
| CNX MIDCAP | 8,317.9 | 0.4 |
| BANK NIFTY | 11,735.7 | 0.5 |
| CNX IT | 6,842.2 | -4.6 |
| CNX Realty | 322.6 | -2.0 |
| CNX Infrastructure | 3,175.0 | 1.1 |

Source: NSE

GLOBAL NEWS

USA

- In the week ending April 9 2011, the advanced figures for seasonally adjusted initial claims was 412,000, an increase of 27,000 from the previous week's revised average of 385,000.
- US consumer prices increased by 0.5% in march as gasoline and food prices continued to rise.
- In February, total exports of US\$ 165.1 billion and imports of US\$ 210.9 billion resulted in a goods and services deficit of US\$ 45.8 billion, down from US\$ 47.0 billion in January.

Europe

- Euro Area annual inflation was 2.7% in march 2011, up from 2.4% in February. A year earlier (March 2010) the rate was 1.4%.
- Euro area external trade deficit stood at 1.5 billion

euro for the month of February 2011 as compared to a surplus of 1.4 billion euro a year ago.

Asia

- China's inflation reached 5.4% in march 2011, the highest in two year.
- The People's Bank of China announced that the deposit reserve ratio will be raised 0.5%, implying that, large financial institutions will have to keep 20.5% of their deposits in reserves. It was the fourth time this year that the central bank has raised the reserve ratio.
- China's GDP increased by 9.7% in the first quarter from a year earlier, down from 9.8% in the final three months of 2010.
- Japan declares the Nuclear disaster at level of Chernobyl.

Disclaimer

The data used here are from various published and electronically available primary and secondary sources. We have taken care to verify and cross-check the accuracy of such data. However, 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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