



Confederation of Indian Industry

Economy Update

Weekly Newsletter

12-18 December 2011

INDICATORS

Inflation Rate for the week ending 3 December 2011

Categories	Weekly	Annual
Primary articles	-0.6	5.5
Fuel, power, light & lubricant	0.4	15.2

- The annual **inflation** in **primary articles** decreased to 5.5% for the week ended 3 December 2011, from 6.9% in the previous week.
- The annual **inflation** in **food articles** declined to 4.4% for the week ended 3 December 2011 from 6.6% in the previous week, while annual inflation in **Non-Food articles** increased to 2.1% from 1.4% in the previous week.
- **Foreign Exchange Reserves** as on 9 December 2011 stood at US\$ 306.8 billion, down by US\$.07 billion from the previous week.
- The **call money rates** as on 2 December 2011 traded in the range of 7.0 - 9.0%.
- At the **Treasury bills auctions** held during the week, the YTM for 91-day T-Bills stood at 8.5%.



Dear Reader,

In the backdrop of decelerating economic growth, RBI's move to keep key policy rates unchanged in its Mid Quarter Monetary Policy Review is a welcome step. Further, the central bank's commitment to address the slowdown in growth in future actions by reversing the rate increase cycle is reassuring. However, the policy did not really reflect the urgency of the situation, given that industrial growth has registered its worst performance since March 2009 and the investment outlook remains subdued. With food inflation moderating to its lowest in nearly four years and prices of vegetables, fruits and pulses softening further, we expect to see a reversal in the RBI's stance in the January review of Monetary Policy.

Chandrajit Banerjee

Director General, CII

IN THIS ISSUE

- **Markets**
- **Policy Development**
- **Industry News**
- **Global News**

POLICY DEVELOPMENT

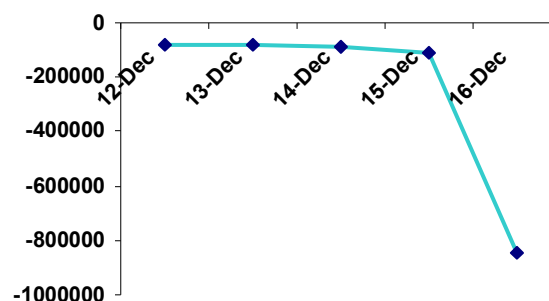
- The RBI has deregulated interest rates that banks would pay on Non-Resident (External) Rupee (NRE) Deposits and Ordinary Non-Resident (NRO) accounts in order to improve inflow of foreign currency. Banks are now free to determine their interest rates on both savings deposits and term deposits of a maturity of one year and above under NRE deposit accounts and savings deposits under NRO accounts.

- RBI stepped in to arrest speculation-led volatility (depreciation) in rupee by firstly curbing trade in rupee forwards and secondly once these are cancelled could not be bought again. This new rule is applicable to both domestic and foreign investors with immediate effect.

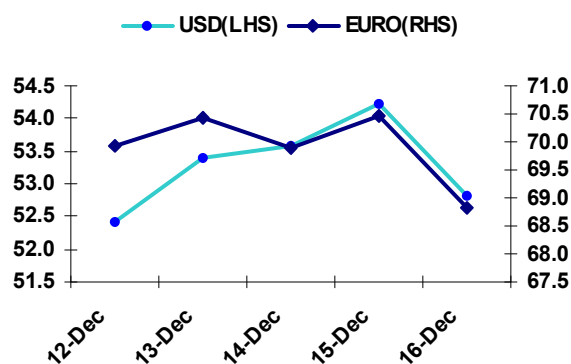
- Government has introduced Companies Bill 2011 which is expected to act as a catalyst in fostering economic growth, allow country's international trade to be conducted at a par with the western industrialised nations, increase accountability and transparency among members.

- Cabinet Committee on Economic Affairs has approved setting up of a National Electricity Fund to give interest subsidy of Rs 8,466 crore for 14 years to power distribution projects undertaken by both public and private sectors with the goal of improving the distribution network in areas not covered under the Rajiv Gandhi Gramin Vidyutikaran Yojana and the Restructured Accelerated Power Development and Reforms Programme project areas.

Net Absorption through LAF (Rs Crore)



Exchange Rate



BANKING INDICATORS

Indicators	Outstanding as on 2 December, 2011	% Variation over	
		Fortnight	Year
Total Bank Credit	42,35,421	1.1	17.7
Food Credit	81,844	4.0	38.4
Non Food Credit	41,53,577	1.1	18.4
Aggregate Deposit	57,10,061	1.1	17.9
Broad Money (M3)	70,73,261	-0.5	12.1
Credit Deposit Ratio	74.2		

Source: RBI

Source: RBI

EQUITY MARKETS

- Global stocks continued to hover in the red, as prolonged jitters surrounding Europe's debt crisis weighed on investors sentiment.
- Indian markets fell to their lowest close in more than two years on 16th December, as investor sentiment remained low after RBI did not reduce interest rates in its monetary policy review. Also, finance ministry made it clear that it will not abolish securities transaction tax in the next union budget, which added to the woes of investors.
- The RBI on Thursday reduced trading limits for banks in the foreign exchange market, making it difficult for market players to keep speculative positions open for a long time. The curbs in the foreign exchange market helped the Indian rupee rebound more than 2%. All sectoral indices closed on negative note with capital goods, real estate, banks and power stocks were major losers
- Total turnover during the week on BSE stood at Rs 9,761 crore and on NSE at Rs 49,173 crore.

COMMODITY MARKETS

- NYMEX **West Texas Intermediate Crude Oil** for January delivery stood at US\$ 93.5 per barrel on 16 December 2011, down by US\$ 3.3 per barrel from the previous week.
- New York **spot price for Gold** was US\$ 1,595.6 per ounce as on 16 December 2011, down by US\$ 116.3 per ounce from the previous week.

Global Stock Indices	Closing Value as on 16 December 2011	Weekly Change (%)
NYSE: DJIA	11,866.4	-2.6
FTSE 100	5,387.3	-2.6
Nikkei 225	8,401.7	-1.6
Straits Times	2,659.2	-1.3
KOSPI	1,840.0	-1.9

Source: Yahoo Finance

Indian Equity Indices	Closing Value on 16 December 2011	Week's % Change
BSE SENSEX	15,491.4	-4.5
BSE 500	5,855.9	-4.8
S&P CNX NIFTY	4,651.6	-4.4
S&P CNX 500	3,648.0	-4.8

Source: NSE, BSE

Net Institutional Activity

	Equity	Debt
Weekly FII (US \$ Million)	-230.6	1,472.5
Year -to-date FII (US\$ million)	-214.9	7,675.9
Weekly Mutual Funds# (Rs Crore)	-6.3	1,469.8

Source:SEBI

#as on 8 dec, 2011

Commodity Spot Indices	Closing Value as on 17 December 2011	Week's % Change
MCX AGRI	3,137.3	1.4
MCX METAL	4,657.7	-4.6
MCX ENERGY	3,381.9	-3.2
MCX COMDEX	3,679.9	-3.2

Source: MCX, NCDEX

INDUSTRY NEWS

BSE Indices	Closing Value on 16 December 2011	Week's % Change
AUTO INDEX	8,106.9	-4.9
BANKEX	9,420.9	-7.2
BSE CAPITAL GOODS	9,394.9	-10.3
BSE CONSUMER DURABLE	5,704.6	-8.4
BSE FMCG	3,989.2	-0.7
BSE HEALTHCARE	5,958.7	-1.4
BSE INFOTECH	5,733.5	-0.4
BSE MID CAP	5,620.9	-6.1
BSE SMALL CAP	5,688.4	-6.0
BSE TECK INDEX	3,355.6	-1.7
METAL INDEX	9,683.0	-7.1
OIL & GAS INDEX	7,676.2	-4.3

Source: BSE

Agriculture

- Tamil Nadu government is planning to promote agri-related clusters in dry areas across with the aim of addressing productivity gap and to increase farm income by promoting allied agricultural activities including animal husbandry, fisheries, forestry, horticulture and others.

Energy

- Gujarat Venture Finance Limited will invest 60% of its Rs 1000-crore infrastructure fund on clean energy projects and the rest 40% will be incurred on infrastructure projects including industrial parks.

IT Hardware industry

- The bottom lines of domestic hardware IT industry have taken a hit of over 9% in last three months owing to rising input costs due to the depreciating rupee and a shortfall in component supply because of flood in Thailand as per industry information. Companies are now seeking an extension of timelines on delivery and a revision in costs.

Electronics

- Department of Information Technology has proposed to set up an 'Electronic Development Fund' of Rs 10,000 crore to promote innovation and R&D in the electronics systems design and manufacturing under the new National Policy on Electronics-2011. The objective is to achieve a turnover of about US\$ 400 billion in the electronics manufacturing industry by 2020, up from US\$ 45 billion in 2008-09.

SMEs

- There has been marked surge in the number of sick micro and small enterprises in the country to more than 90,141 during 2011-12 as compared to 77,723 units in 2010-11 as per RBI data.

CNX Segment Indices	Closing Value on 16 December 2011	Week's % Change
CNX NIFTY Junior	8,682.5	-5.1
CNX MIDCAP	6,285.3	-5.5
BANK NIFTY	8,171.9	-7.3
CNX IT	6,112.6	-0.4
CNX Realty	94.3	-8.0
CNX Infrastructure	2,174.5	-7.6

Source: NSE

GLOBAL NEWS

USA

- In the week ending 10 December, the advance figure for seasonally adjusted initial claims was 366,000, a decrease of 19,000 from the previous week's revised figure of 385,000.
- The US current-account deficit decreased to US\$ 110.3 billion in the third quarter of 2011 from US\$ 124.7 billion in the second quarter.

Europe

- The number of persons employed in both the Euro Area and the EU27 decreased by 0.1% in the third quarter of 2011 compared with the previous quarter. In the second quarter of 2011,

employment increased by 0.2% in the euro area and by 0.1% in the EU27.

- Euro Area annual inflation was 3.0% in November 2011, unchanged compared with October. A year earlier the rate was 1.9%

Asia

- China's new home prices dropped from the previous months in 49 cities monitored by the government, compared with 33 posting decrease in October.

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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