



Confederation of Indian Industry

# Economy Update



» WEEKLY NEWSLETTER

» 16-22 January 2012

## Dear Reader,

Overall inflation for the month of December 2011 dropped to a two-year low of 7.5% from 9.1% in November, primarily due to easing food inflation and a positive base effect. Food inflation tumbled to 0.7% in December from 8.5% in November. This has raised the possibility of reaching the RBI's target of reaching an inflation rate to around 7% or lower by March 2012.

In this backdrop, CII expects a reversal in the RBI's interest rate hikes in the monetary policy review tomorrow. In addition, CII hopes that the RBI will ease the tight liquidity situation with a reduction in the cash reserve ratio.

Chandrajit Banerjee  
(Director General, CII)

## INDICATORS

### Inflation Rate for the week ending 7 January 2012

Categories	Weekly	Annual
Primary articles	0.3	2.5
Fuel, power, light & lubricant	0.0	14.5

» The annual **inflation** in **primary articles** increased to 2.5% for the week ended 7 January 2012, from 0.5% in the previous week.

» The annual **inflation** in **food articles** showed a deceleration of 0.4% for the week ended 7 January 2012 as compared to a deceleration of 2.9% in the previous week, while annual inflation in **Non-Food articles** increased marginally to 1.8% from 1.3% in the previous week.

» **Foreign Exchange Reserves** as on January 13, 2012 stood at US\$ 292.5, down by US\$ 1.0 billions from the previous week.

» At the **Treasury bills auctions** held during the week, the YTM for 91-day T-Bills stood at 8.7%.

» The call money rates as on 20 January 2012 traded in the range of 7.5-9.0%

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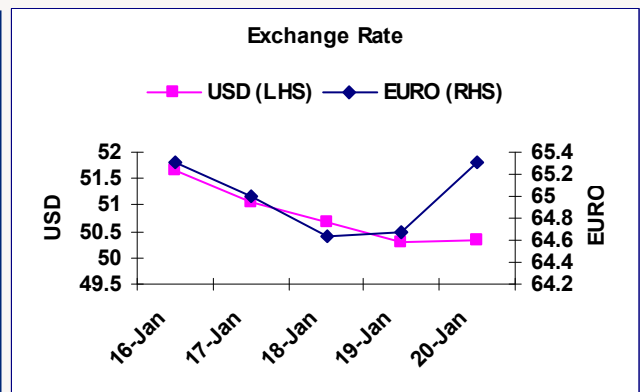
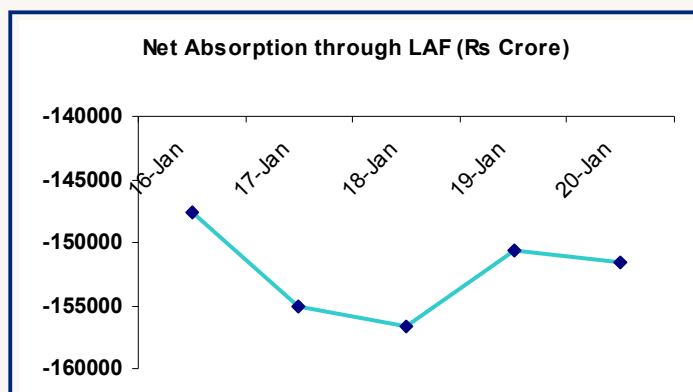
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## POLICY DEVELOPMENT

- » The power ministry wants to appoint an independent investigator to identify the reasons for aggregate transmissions and commercial losses (AT&C). The investigator would look into theft, pilferage, transmission losses, non-billing of consumers and free power supply by utilities.
- » States have agreed to a drastic pruning of centrally sponsored schemes, giving a boost to the government's fiscal consolidation drive.



## BANKING INDICATORS

			<i>Rs. Billion</i>
Indicators	Outstanding as on 30 December, 2011	% Variation over Fortnight	Year
Total Bank Credit	43,656.4	2.3	15.9
Food Credit	845.5	3.3	28.2
Non Food Credit	42,811.0	3.1	15.8
Aggregate Deposit	58,279.1	2.7	16.9
Broad Money (M3)	71,986.8	2.1	15.6
Credit Deposit Ratio	74.9		

Source: RBI

## EQUITY MARKETS

- » World stocks rose to their highest in over two months as risk appetite improved on hopes that Greece will reach an agreement with its creditors and the IMF moves to tackle the euro zone debt crisis .
- » Indian markets reached their highest closing level in more than six weeks on rising foreign portfolio inflows as global risk taking improves .
- » Total turnover during the week on BSE stood at Rs. 12,513 crore and on NSE at Rs. 57,575 crore.

Global Stock Indices	Closing Value as on 20 January 2012	Weekly Change (%)
NYSE: DJIA	12,720.5	2.4
FTSE 100	5,728.6	1.6
Nikkei 225	8,781.9	3.3
Straits Times	2,849.4	2.1
KOSPI	1,915.0	2.1

Source: Yahoo Finance

### Net Institutional Activity

	Equity	Debt
Weekly FII (US \$ Million)	694.4	588.1
Year -to-date FII (US\$ million)	1,166.6	3,044
Weekly Mutual Funds# (Rs Crore)	-173.1	3,032.8

Source: SEBI

#as on 19 January, 2012

Indian Equity Indices	Closing Value on 20 January 2012	Week's % Change
BSE SENSEX	16,739.0	3.6
BSE 500	6,344.1	3.2
S&P CNX NIFTY	5,048.6	3.8
S&P CNX 500	3,952.7	3.3

Source: NSE, BSE

## COMMODITY MARKETS

- » NYMEX West Texas Intermediate Crude Oil for January delivery stood at US\$ 100.4 per barrel on 20 January 2012, up by US\$ 1.7 per barrel from the previous week.
- » New York spot price for Gold was US\$ 1,664.0 per ounce as on 20 January 2012, up by US\$ 32.8 per ounce from the previous week.

Commodity Spot Indices	Closing Value as on 21 January 2012	Week's % Change
MCX AGRI	3,271.9	-1.3
MCX METAL	4,764.4	0.7
MCX ENERGY	3,253.0	-3.3
MCX COMDEX	3,697.2	-1.0

Source: MCX, NCDEX

## INDUSTRY NEWS

### Cement

- » The Indian Cement industry is back on a double digit growth trajectory. In December 2011, the nearly 300 million tonne industry posted 14% growth (y-o-y) in dispatches. It sold 19.8 MT against 17.4 MT during the same month in the previous year..

### Pharma

- » The government has cleared four foreign direct investment proposal in pharmaceutical space, dispelling fears that the recent change in rules will effectively kill foreign investments in the sector.

### Health

- » The Hyderabad based Global Hospitals Group is planning to invest over Rs 500 crore during 2012 to expand its hospital network as well as upgrade existing hospitals with super-specialty cancer care centers.

BSE Indices	Closing Value on 20 January 2012	Week's % Change
AUTO INDEX	8,818.9	4.2
BANKEX	10,912.2	5.9
BSE CAPITAL GOODS	9,807.0	5.5
BSE CONSUMER DURABLE	5,801.3	3.5
BSE FMCG	4,035.1	-0.9
BSE HEALTHCARE	6,168.7	0.7
BSE INFOTECH	5,499.9	0.3
BSE MID CAP	5,680.1	1.8
BSE SMALL CAP	6,277.3	1.7
BSE TECK INDEX	3,293.1	0.4
METAL INDEX	11,197.6	4.1
OIL & GAS INDEX	8,325.0	6.4

Source: BSE

CNX Segment Indices	Closing Value on 13 January 2012	Week's % Change
CNX NIFTY Junior	9,414.4	3.4
CNX MIDCAP	6,803.2	2.2
BANK NIFTY	9,516.9	6.0
CNX IT	5,898.0	0.4
CNX Realty	231.7	8.4
CNX Infrastructure	2,466.9	5.3

Source: NSE

## GLOBAL NEWS

### USA

- » In the week ending 14 January, the advance figure for seasonally adjusted initial claims was 352,000, a decrease of 50,000 from the previous week's figure of 402,000.
- » US industrial output rises 0.4% in December 2011 as manufacturing rebounded at its strongest pace in a year.

### Europe

- » According to the latest available data, the EU 27 external current account recorded a deficit of 21.4 billion euro in the third quarter of 2011, compared with a deficit of 22.3 billion in the third quarter of 2010.
- » Euro Area annual inflation was 2.7% in December 2011, down from 3.0% in

November. A year earlier the rate was 2.2%. Monthly inflation was 0.3% in December 2011.

- » UK unemployment rose to the highest rate in 16 years in the quarter through November 2011. The unemployment rate rose to 8.4% from 8.1% in the three months through August.

- » In the construction sector, seasonally adjusted production rose by 0.8% in the Euro Area (EA17) and by 0.4% in the EU27 in November 2011, compared with the previous month. In October, production fell by 1.4% in the Euro Area and by 0.9% in the EU27.

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CII Economy Update is a weekly report prepared by the **CII Economic Research Group**. Reach us at: [ecopolicy@cii.in](mailto:ecopolicy@cii.in)



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