



Confederation of Indian Industry
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Economy Update

Weekly Newsletter

16-22 May 2011

INDICATORS

Inflation Rate for the week ending 7 May 2011

Categories	Weekly	Annual
Primary articles	-0.6	10.9
Fuel, power, light & lubricant	-0.1	12.1

- The annual **inflation** in **primary articles** decreased to 10.9% for the week ended 7 May 2011, from 11.7% in the previous week.
- The annual **inflation** in **food articles** decreased to 7.5% for the week ended 7 May 2011, from 7.7% in the previous week.
- The annual **inflation** of **all commodities** decreased marginally to 8.7% in April 2011 as compared to 9.0% in March 2011.
- **Foreign Exchange Reserves** as on 13 May 2011 stood at US\$ 307.5 billion, down by US\$ 5.5 billion from the previous week.
- The **call money rates** as on 20 May 2011 traded in the range of 6.3– 7.5%.
- At the **Treasury bills auctions** held during the week, the YTM for 91-day T-Bills stood at 8.1%.



Dear Reader,

Renewed caution about the global economic scenario has resulted in increased risk aversion among investors. While this decline in sentiment has affected portfolio flows into India, the silver lining is that commodity prices are also moderating. Already, oil prices have moderated with the WTI crude price falling from \$113.9 per barrel at the end of April to \$100.1 per barrel as of 20 May. Of course, Indian retail price of petroleum products may still need to go up but there may be good news for companies which have been facing rising raw material costs.

Chandrajit Banerjee

Director General, CII

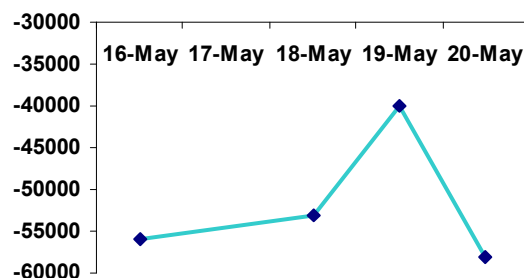
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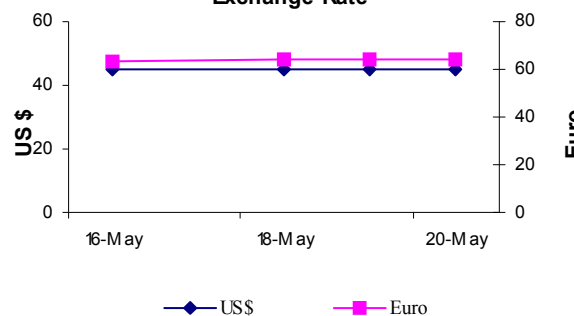
POLICY DEVELOPMENT

- The Union Cabinet has approved the launch in June of a census to identify those living below the poverty line (BPL), both in urban and rural areas and simultaneously enumerate the population based on caste for the first times since 1931.
- The RBI said the second LAF will be discontinued on reporting Friday effective from 20th May. The move follows the introduction of the marginal standing facility and the modified operating procedure of monetary policy.
- In a bid to enhance the participation of retail investors in public issues, SEBI relaxed bidding norms for floats in which shares are allotted to retail investors at a discount to the price for institutional ones.
- SEBI wants FII's to increase the proportion of funds they deploy through so called broad-based sub accounts. The regulator is likely to make it mandatory for FIIs to route the money through this avenue.

Net Absorption through LAF (Rs Crore)



Exchange Rate



BANKING INDICATORS

Indicators	Outstanding as on 6 May,2011	% Variation over	
		Fortnight	Year
Total Bank Credit	39,57,384	1.0	22.5
Food Credit	59,026	12.2	35.3
Non Food Credit	38,98,359	23.1	0.6
Aggregate Deposit	53,16,009	-0.1	17.1
Broad Money (M3)	64,91,756	0.1	16.9
Credit Deposit Ratio	74.4		

Source: RBI

EQUITY MARKETS

- Global stock market was rattled once again by another round of euro zone peripheral debt fears. Fitch's three notch sovereign downgrade of Greek debt has weighed down sentiments.
- Key Indian benchmark indices all ended in red after a week of volatile trading, despite some sign of inflation moderating. Sentiments remained weak on concerns of a possible hike in diesel prices would lead to another interest rate hike by RBI. Selling by foreign funds along with profit booking in State Bank of India and Reliance Industries also put pressure on the market. Oil and Gas, Banking and Realty were the largest losers in the week ending 20 May 2011.
- Total turnover during the week on BSE stood at Rs 12,799 crore and on NSE at Rs 49,691 crore.

COMMODITY MARKETS

- NYMEX **light sweet Crude Oil** for June delivery stood at US\$ 97.2 per barrel on 20 May 2011, down by US\$ 2.5 per barrel from the previous week.
- New York **spot price for Gold** was US\$ 1,509.3 per ounce as on 20 May 2011, up by US\$ 15.6 per ounce from the previous week.

Global Stock Indices	Closing Value as on 20 May 2011	Weekly Change (%)
NYSE: DJIA	12,512.0	-0.7
FTSE 100	5,948.5	0.4
Nikkei 225	9,607.1	-0.4
Straits Times	3,168.5	0.2
KOSPI	2,111.5	-0.4

Source: Yahoo Finance

Indian Equity Indices	Closing Value on 20 May 2011	Week's % Change
BSE SENSEX	18,326.1	-1.1
BSE 500	7,101.4	-1.4
S&P CNX NIFTY	5,486.4	-1.1
S&P CNX 500	4,411.9	-1.3

Source: NSE, BSE

Net Institutional Activity

	Equity	Debt
Weekly FII (US \$ Million)	-938.3	160.8
Year -to-date FII (US\$ million)	-603.1	-910.9
Weekly Mutual Funds# (Rs Crore)	-809.9	60.8

Source:SEBI

#as on 19 May, 2011

Commodity Spot Indices	Closing Value as on 21 May 2011	Week's % Change
MCX AGRI	2,745.8	2.3
MCX METAL	4,361.8	-1.3
MCX ENERGY	3,096.4	-0.7
MCX COMDEX	3,382.3	-0.6

Source: MCX, NCDEX

INDUSTRY NEWS

Financial Services

- IL&FS financial Services Ltd, the investment banking arm of Infrastructure Leasing & Financial Services Ltd plans to raise US\$ 10-15 billion in the next 5 years to finance the company's infrastructure projects such as power plants, roads and ports.

Energy

- The US and India announced a joint US\$ 50 million fund to promote research in clean energy technologies.

Fertilizer

- Lack of viable investment policy and non-availability of gas has ensured that at least 6 proposed urea projects, which could add as much as 7 million tonnes of capacity are stuck.

Textile

- India's cotton yarn industries is cutting production by a third as stocks have built up on a decline in local and international demand and prices have slumped.

BSE Indices	Closing Value on 13 May 2011	Week's % Change
AUTO INDEX	9,113.1	-1.2
BANDEX	12,158.6	-3.4
BSE CAPITAL GOODS	13,195.2	4.0
BSE CONSUMER DURABLE	6,274.9	1.0
BSE FMCG	3,762.0	-1.1
BSE HEALTHCARE	6,153.2	0.1
BSE INFOTECH	6,063.8	0.4
BSE MID CAP	6,756.4	-2.1
BSE SMALL CAP	8,185.2	-2.2
BSE TECK INDEX	3,640.5	0.3
METAL INDEX	15,121.1	-1.8
OIL & GAS INDEX	9,317.2	-4.6

Source: BSE

CNX Segment Indices	Closing Value on 20 May 2011	Week's % Change
CNX NIFTY Junior	11,001.1	1.6
CNX MIDCAP	7,873.2	-2.0
BANK NIFTY	10,664.1	-3.2
CNX IT	6,615.4	0.1
CNX Realty	275.7	-4.7
CNX Infrastructure	2,967.6	2.2

Source: NSE

GLOBAL NEWS

USA

- In the week ending May 14 2011, the advance figure for seasonally adjusted initial claims was 409,000, a decrease of 29,000 from the previous week's revised average of 438,000.

Europe

- Euro Area annual Inflation was 2.8% in April 2011, up from 2.7% in March. A year earlier the rate was 1.6%.
- The first estimate for the Euro Area trade balance with the rest of the world in March 2011 gave a 2.8 billion Euro surplus, compared with a surplus of 2.7 billion in March 2010.

Asia

- Singapore's consumer prices rose 4.5% in April, the first slow down in five months as strengthening currency reduced the cost of imported goods.
- The preliminary HSBC purchasing manager's index for China dropped to 51.1 in May, the lowest level in 10 months, thus adding signs that economic growth is cooling after the government raised interest rates.
- Thailand's GDP rose 2% in the three months to March 31 from the previous quarter, when it had climbed by 1.3%. The acceleration of economic growth to the fastest pace in a year has further added pressure for higher borrowing costs to contain inflation.

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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