



Confederation of Indian Industry

# Economy Update

Weekly Newsletter

17-23 October 2011

## INDICATORS

### Inflation Rate for the week ending 8 October 2011

Categories	Weekly	Annual
Primary articles	0.2	11.2
Fuel, power, light & lubricant	0.1	15.2

- The annual **inflation** in **primary articles** increased to 11.2% for the week ended 8 October 2011, from 10.6% in the previous week.
- The annual **inflation** in **food articles** increased to 10.4% for the week ended 8 October 2011 from 9.3% in the previous week, while annual inflation in **Non-Food articles** declined to 8.5% from 9.6% in the previous week.
- **Foreign Exchange Reserves** as on 14 October 2011 stood at US\$ 317.5 billion, up by US\$ 5.3 billion from the previous week.
- At the **Treasury bills** auctions held during the week, the YTM for 91-day T-bills stood at 8.6%.
- The **call money rates** as on 21st October 2011, traded in the range of 7.0-9.0%



Dear Reader,

The latest data on inflation was discouraging, as it showed renewed pressure on food inflation, with the price levels in categories such as fruits and vegetables and eggs, meat and fish accelerating again. This would mean that any softening trend in inflation will be further postponed and the RBI would go in for another rate hike at its policy review, even as signs of an economic slowdown are now widely recognized. Industry will be hoping that the RBI can at least provide some guidance on when it is likely to pause.

**Chandrajit Banerjee**

Director General, CII

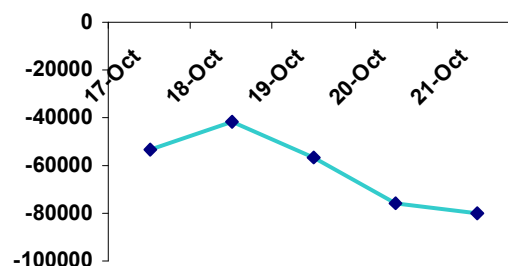
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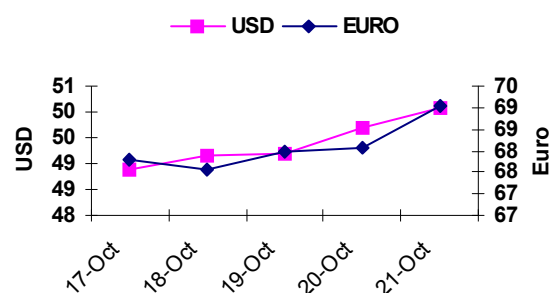
## POLICY DEVELOPMENT

- The Department of Industrial Policy and Promotion (DIPP) has decided to go ahead with its proposal to allow foreign airlines to invest up to 26% in domestic carriers even as the nodal civil aviation ministry is yet to give its view on the issue.
- The Finance Ministry is considering raising the limit of foreign investment in bonds of infrastructure companies from the current US\$ 5 billion.
- After a gap of three years, India and Mauritius will soon be discussing the revision of the Double Taxation Avoidance Agreement (DTAA) for sharing banking and tax related information more effectively.

Net Absorption through LAF (Rs Crore)



Exchange Rate



## BANKING INDICATORS

Indicators	Outstanding as on 7 October, 2011	% Variation over	
		Fortnight	Year
<b>Total Bank Credit</b>	<b>41,48,598</b>	<b>1.4</b>	<b>19.5</b>
<b>Food Credit</b>	<b>63,315</b>	<b>-7.0</b>	<b>35.9</b>
<b>Non Food Credit</b>	<b>40,85,282</b>	<b>0.6</b>	<b>19.4</b>
<b>Aggregate Deposit</b>	<b>56,24,932</b>	<b>1.7</b>	<b>17.4</b>
<b>Broad Money (M3)</b>	<b>69,62,822</b>	<b>7.1</b>	<b>16.2</b>
<b>Credit Deposit Ratio</b>	<b>73.8</b>		

Source: RBI

## EQUITY MARKETS

- Positive corporate earnings report resulted in US bourses closing in green. Also, investors seem to have ignored the continued report of disagreement between France and Germany to concentrate on the prospect of yet another final plan to cope with Greece and the debt crisis.
- European shares too edged higher, ahead of the summit in the weekend where leaders were expected to agree on a solution for the 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 closed in the red in the week ending 21st October due to fears of another hike in policy rates by the Reserve Bank of India after food inflation crossed 10%..
- Total turnover during the week on BSE stood at Rs. 11,882 crore and on NSE at Rs. 46,503 crore.

## COMMODITY MARKETS

- NYMEX **West Texas Intermediate Crude Oil** for November delivery stood at US\$ 87.4 per barrel on 14 October 2011, up by US\$ 1.0 per barrel from the previous week.
- New York **spot price for Gold** was US\$ 1,636.2 per ounce as on 21 October 2011, down by US\$ 46.9 per ounce from the previous week.

Global Stock Indices	Closing Value as on 21 October 2011	Weekly Change (%)
<b>NYSE: DJIA</b>	<b>11,808.8</b>	<b>1.4</b>
<b>FTSE 100</b>	<b>5,488.7</b>	<b>0.4</b>
<b>Nikkei 225</b>	<b>8,678.9</b>	<b>-0.8</b>
<b>Straits Times</b>	<b>2,712.4</b>	<b>-1.2</b>
<b>KOSPI</b>	<b>1,838.4</b>	<b>0.2</b>

Source: Yahoo Finance

Indian Equity Indices	Closing Value on 21 October 2011	Week's % Change
<b>BSE SENSEX</b>	<b>16,785.6</b>	<b>-1.7</b>
<b>BSE 500</b>	<b>6,461.1</b>	<b>-1.6</b>
<b>S&amp;P CNX NIFTY</b>	<b>5,091.9</b>	<b>-0.8</b>
<b>S&amp;P CNX 500</b>	<b>4,057.4</b>	<b>-0.8</b>

Source: NSE, BSE

### Net Institutional Activity

	Equity	Debt
<b>Weekly FII (US \$ Million)</b>	<b>-69.6</b>	<b>154.9</b>
<b>Year -to-date FII (US\$ million)</b>	<b>-171.0</b>	<b>4,508.0</b>
<b>Weekly Mutual Funds# (Rs Crore)</b>	<b>-501.0</b>	<b>682.3</b>

Source:SEBI

#as on 20 Oct, 2011

Commodity Spot Indices	Closing Value as on 21 October 2011	Week's % Change
<b>MCX AGRI</b>	<b>3,175.8</b>	<b>2.0</b>
<b>MCX METAL</b>	<b>4,423.0</b>	<b>-2.2</b>
<b>MCX ENERGY</b>	<b>3,046.9</b>	<b>2.7</b>
<b>MCX COMDEX</b>	<b>3,469.1</b>	<b>0.3</b>

Source: MCX, NCDEX

## INDUSTRY NEWS

BSE Indices	Closing Value on 21 October 2011	Week's % Change
<b>AUTO INDEX</b>	<b>8,848.2</b>	<b>0.0</b>
<b>BANKEX</b>	<b>11,094.3</b>	<b>0.3</b>
<b>BSE CAPITAL GOODS</b>	<b>10,558.4</b>	<b>-4.4</b>
<b>BSE CONSUMER DURABLE</b>	<b>6,706.0</b>	<b>0.0</b>
<b>BSE FMCG</b>	<b>3,992.0</b>	<b>2.4</b>
<b>BSE HEALTHCARE</b>	<b>5,900.6</b>	<b>1.0</b>
<b>BSE INFOTECH</b>	<b>5,698.9</b>	<b>8.7</b>
<b>BSE MID CAP</b>	<b>6,189.9</b>	<b>3.9</b>
<b>BSE SMALL CAP</b>	<b>6,908.0</b>	<b>2.8</b>
<b>BSE TECK INDEX</b>	<b>3,453.4</b>	<b>8.1</b>
<b>METAL INDEX</b>	<b>11,327.0</b>	<b>3.8</b>
<b>OIL &amp; GAS INDEX</b>	<b>8,859.5</b>	<b>4.8</b>

Source: BSE

### Mining

- The Government is planning to allow companies exploring coal bed methane (CBM) to simultaneously mine coal from the same block. Currently, CBM blocks, characteristically much larger than coal blocks, are out of bounds for coal mining until the CBM venture is completed. This has reduced the area available for coal mining, causing further pressure on coal companies hit by stagnant production

### Banking

- The total value of transactions carried out through cheques across the country in August 2011 amounted to Rs 7.4 lakh crore, down by 8.3% over the same month last year. Banks had cleared cheques worth Rs 8.1 lakh crore in August 2010.

### Tea

- Tea exports to Iran, a major importer, have fallen by nearly 25% to 10 million kg in January-August as traders are clueless about the mode of payment to that country.

CNX Segment Indices	Closing Value on 21 October 2011	Week's % Change
<b>CNX NIFTY Junior</b>	<b>9,682.7</b>	<b>-2.1</b>
<b>CNX MIDCAP</b>	<b>7,008.1</b>	<b>-1.8</b>
<b>BANK NIFTY</b>	<b>9,695.4</b>	<b>0.4</b>
<b>CNX IT</b>	<b>5,948.5</b>	<b>-2.8</b>
<b>CNX Realty</b>	<b>240.2</b>	<b>-2.8</b>
<b>CNX Infrastructure</b>	<b>2,554.3</b>	<b>-3.5</b>

Source: NSE

## GLOBAL NEWS

### USA

- In the week ending 15 October, the advance figure for seasonally adjusted initial claims was 403,000, a decrease of 6,000 from the previous week's revised figure of 409,250.
- The ranks of the poor rose in almost all US states and cities in 2010, the recent US Census data showed. Mississippi and New Mexico had the highest poverty rates, with more than one out of five people in each state living in poverty. Mississippi's poverty rate led, at 22.4% followed by New Mexico at 20.4%.

### Europe

- In 2010, the Government deficit of the Euro Area and EU27 stood at 6.2% and 6.6% of GDP respectively.
- According to the latest available data, the EU27 external current account recorded a deficit of 35.2 billion euro in the second quarter of 2011, compared with a deficit of 32.3 billion in the second quarter of 2010.

### Asia

- China's tax revenue rose 27.4% year-on-year to 7.1 trillion Yuan (about US\$ 1.1 trillion) in the first three quarters, boosted by a combination of expanding activity, price increases and policy adjustments.

#### 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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