



Confederation of Indian Industry

Economy Update



» WEEKLY NEWSLETTER

» 19-25 December 2011

Dear Reader,

The series of disappointments at the macro-economic front continues. As a result of fears of continuing economic slowdown, lack of decision making at the centre and rising fiscal deficit combined with not-so-impressive revenue collections, sensx slid to a 28-month low this week. The combined effect of the market's slide and the depreciation of the rupee forced India to exit from the select group of countries with a \$1 trillion market capitalization. On the FDI front as well, India registered a decline of 50% in Oct 2011 for the second month in a row.

In this backdrop, rapid policy reforms can help in enhancing the much required business confidence .

Chandrajit Banerjee
(Director General, CII)

INDICATORS

Inflation Rate for the week ending 10 December 2011

Categories	Weekly	Annual
Primary articles	-0.2	3.8
Fuel, power, light & lubricant	0.0	15.2

» The annual **inflation** in **primary articles** decreased to 3.8% for the week ended 10 December 2011, from 5.5% in the previous week.

» The annual **inflation** in **food articles** decreased to 1.8% for the week ended 10 December 2011 from 4.4% in the previous week, while annual inflation in **Non-Food articles** declined to 1.4% from 2.1% in the previous week.

» **FDI** in India declined for the second month in a row, falling by 50.3% to US\$1.2 billion. In April-October 2011, FDI increased by 7.1% as compared to 11.7% y-o-y growth in the same period of 2010.

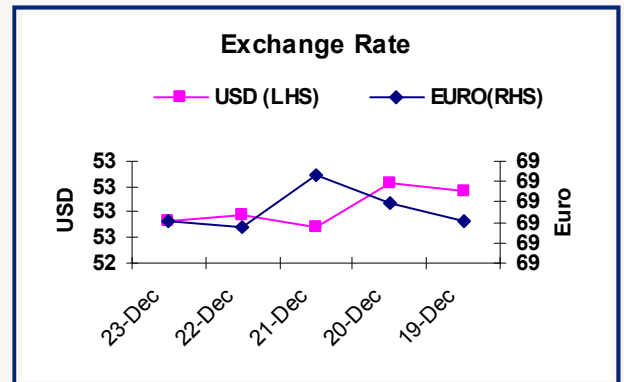
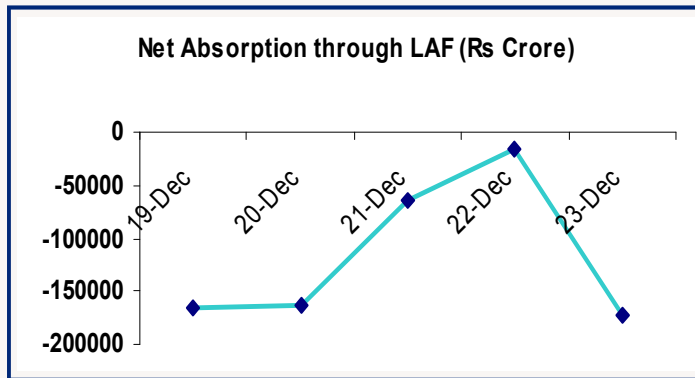
» **Foreign Exchange Reserves** as on December 16 2011 stood at US\$ 302.1, down by US\$ 8.5 billions from the previous week.

» The **call money rates** as on December 16 2011 traded in the range of 7.4-9.9%.

» At the **Treasury bills auctions** held during the week, the YTM for 91-day T-Bills stood at 8.4%.

POLICY DEVELOPMENT

- » The corporate affairs ministry is considering two key changes in the Competition Act, 2002:
 - ⇒ a) to give the Competition Commission of India (CCI) regulatory powers over big joint ventures (JVs) .
 - ⇒ b) to include deal size as a criterion for mergers and acquisitions (M&A) to come under the commission's purview.
- » FDI cap in media has been finalized at 74% uniform cap for non-news media (carriage services) and a 26% cap for news media (content) . Also, up to 49% FDI in the carriage service providers (like multi-system operators or MSOs, DTH broadcasters, headed in the sky or HITs operators, and providers of mobile TV, satellite teleport and IPTV services) will be automatically allowed. But any FDI above 49% will need FIPB's nod.



BANKING INDICATORS

			Rs. Crore
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

EQUITY MARKETS

- » US stocks buoyed up as data showed that the number of Americans filing for initial jobless claims for regular state unemployment-insurance benefits is at the lowest level since April 2008.
- » Indian markets closed on a positive note on December 23 2011 after having fallen to a 28 month low on December 22 2011, helped by firm European stocks and easing domestic food inflation.
- » Total turnover during the week on BSE stood at Rs. 9,910 crore and on NSE at Rs. 49,957 crore.

Global Stock Indices	Closing Value as on 23 December 2011	Weekly Change (%)
NYSE: DJIA	12,294.0	3.6
FTSE 100	5,512.7	2.3
Nikkei 225	8,395.2	-0.1
Straits Times	2,676.5	0.6
KOSPI	1,867.2	1.5

Source: Yahoo Finance

Net Institutional Activity		
	Equity	Debt
Weekly FII (US \$ Million)	-208.6	717.2
Year -to-date FII (US\$ million)	-423.5	8,393.1
Weekly Mutual Funds# (Rs Crore)	161.2	11,285.9

Source: SEBI #as on 23 Sep, 2011

Indian Equity Indices	Closing Value on 23 December 2011	Week's % Change
BSE SENSEX	15,738.7	1.6
BSE 500	5,877.8	0.4
S&P CNX NIFTY	4,714.0	1.3
S&P CNX 500	3,660.6	0.3

Source: NSE, BSE

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\$ 1,606.1 per ounce as on 22 December 2011, up by US\$ 10.5 per ounce from the previous week.

Commodity Spot Indices	Closing Value as on 23 December 2011	Week's % Change
MCX AGRI	3,167.2	1.0
MCX METAL	4,689.8	0.7
MCX ENERGY	3,561.6	5.3
MCX COMDEX	3,766.7	2.4

Source: MCX, NCDEX

INDUSTRY NEWS

Energy

- » Energy deficit may rise to 12-15% as nearly 20% depreciation of the Indian rupee hurts coal imports. While domestic production of coal remains stagnant, rupee depreciation has made purchase of imported coal unviable for most companies, forcing them to cut generation.

Banking

- » Banks have agreed to abolish penalties for prepayment of home loans taken on floating rates of interest. They will also stop penalizing savers who fail to maintain a minimum balance in their savings account.

Telecom

- » Mobile handset shipments to India increased by 13.8% to 47 million units in July-September 2011, propelled by sales of dual SIM handsets..

BSE Indices	Closing Value on 23 December 2011	Week's % Change
AUTO INDEX	8,281.5	-1.6
BANKEX	9,529.9	1.2
BSE CAPITAL GOODS	8,159.5	-13.1
BSE CONSUMER DURABLE	5,328.3	-6.6
BSE FMCG	4,088.2	2.5
BSE HEALTHCARE	5,858.4	-1.7
BSE INFOTECH	5,676.0	-1.0
BSE MID CAP	5,185.2	-7.8
BSE SMALL CAP	5,614.9	-1.3
BSE TECK INDEX	3,327.3	-0.8
METAL INDEX	9,531.6	-1.6
OIL & GAS INDEX	7,926.2	3.3

Source: BSE

CNX Segment Indices	Closing Value on 23 December 2011	Week's % Change
CNX NIFTY Junior	8,467.5	-2.5
CNX MIDCAP	6,187.7	-1.6
BANK NIFTY	8,296.5	1.5
CNX IT	6,058.6	-0.9
CNX Realty	191.7	-1.3
CNX Infrastructure	2,126.2	-2.2

Source: NSE

GLOBAL NEWS

USA

- » In the week ending 17 December, the advance figure for seasonally adjusted initial claims was 364,000, a decrease of 4,000 from the previous week's figure of 388,250.
- » US real GDP increased at an annual rate of 1.8% in the third quarter of 2011, according to the third estimate. In the second quarter, real GDP increased 1.3%.
- » Personal income increased by US\$ 8.5 billion, or 0.1%, and disposable personal income decreased by US\$ 5.0 billion, or less than 0.1%, in November.

Europe

- » EU27 real agricultural income per worker has increased by 6.7% in 2011, after an increase of 12.6% in 2010. This increase results from a rise in real

agricultural income, together with a fall in agricultural labor input.

- » In the construction sector, seasonally adjusted production fell by 1.4% in the euro area and by 1.3% in the EU27 in October 2011, compared with the previous month. In September, production decreased by 1.5% and 1.1% respectively.

Asia

- » China is likely to inject more than 1 trillion (US\$ 158 billion) into the money market in the next two months via annual subsidies from the Ministry of Finance, in an attempt to help improve liquidity, which has been impacted by the government's tight monetary place since October last year.

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