



Confederation of Indian Industry

Economy Update



» WEEKLY NEWSLETTER

» 2-8 January 2012

Dear Reader,

The sharp dip in food inflation has been a positive surprise and should result in bringing the overall inflation rate to below 8.0% in December. This would be the lowest in two years and should help the RBI to begin reversing its interest rates increases. The yield on the 10-year government bonds has dipped over the week on hopes that the RBI in its forthcoming policy will either reduce interest rates or reduce CRR to boost liquidity. Meanwhile, impending bond auctions in many European countries have seen their yields rise, especially for the more indebted countries such as Italy and Spain.

Chandrajit Banerjee
(Director General, CII)

INDICATORS

Inflation Rate for the week ending 24 December 2011

Categories	Weekly	Annual
Primary articles	0.1	0.1
Fuel, power, light & lubricant	0.0	14.6

» The annual **inflation in primary articles** decreased to 0.1% for the week ended 24 December 2011, from 2.7% in the previous week.

» The annual **inflation in food articles** decreased to -3.4% for the week ended 24 December 2011 from 0.4% in the previous week, while annual inflation in **non-food articles** increased marginally to 0.9% from 0.3% in the previous week.

» **Exports** during November 2011 rose by 3.87% and stood at US\$22.3 billion from US\$21.5 billion in the same period last year, while imports grew by 24.5% to US\$35.9 billion from US\$28.8 billion.

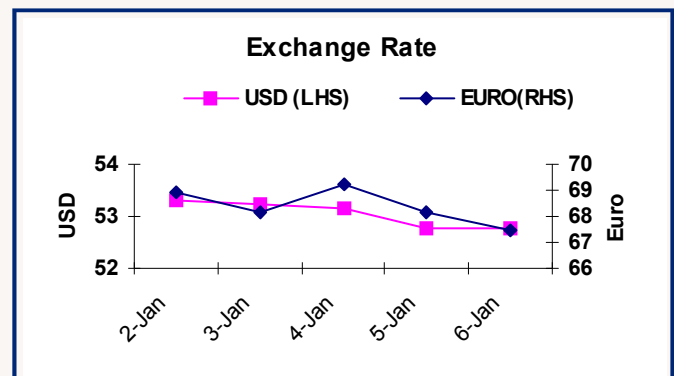
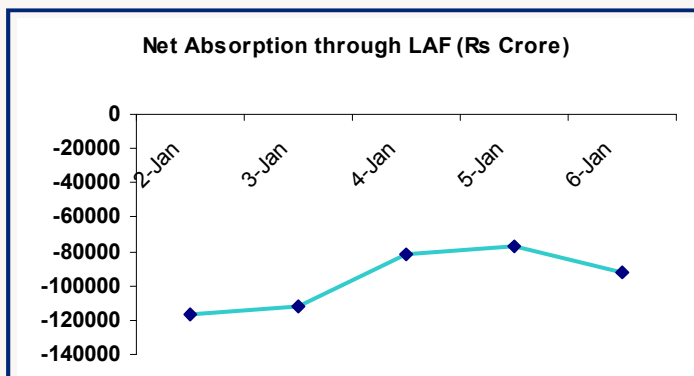
» **Foreign Exchange Reserves** as on December 30 2011 stood at US\$ 296.7 billion, down by US\$ 4.2 billion from the previous week.

» The **call money rates** as on 6 January 2012 traded in the range of 7.0-8.8%.

» **Direct Tax Collection** was up 14.5% Y-o-Y, for the period April—December 2011 at Rs. 396,529.

POLICY DEVELOPMENT

- » The Government has allowed Qualified Foreign Investors (QFIs) to invest directly in the Indian equity markets. This follows the step taken in the Union Budget to allow QFIs to invest in equity markets through mutual funds.
- » Taking in view the fact that India is passing through difficult times, Prime Minister Manmohan Singh, pegged growth for the Indian economy at 7%, down from 8.5% a year ago.



BANKING INDICATORS

<i>Rs. Crore</i>			
Indicators	Outstanding as on 16 December, 2011	% Variation over Fortnight	Year
Total Bank Credit	42,66,983	0.7	17.1
Food Credit	82,905	1.3	32.6
Non Food Credit	41,84,077	0.7	16.8
Aggregate Deposit	56,72,592	-0.7	18.0
Broad Money (M3)	70,51,044	-0.3	16.5
Credit Deposit Ratio	75.2		

Source: RBI

EQUITY MARKETS

- » Starting on a upbeat note on positive economic data, European stock markets fell midweek owing to pressure in Italian and Spanish bond markets.
- » Pressures of the Europe situation were felt on American stock markets through the week, despite a strong job report indicating fall in unemployment.
- » Continued doubt over European leaders ability to find a viable solution, led to most Asian shares exhibiting weak performance.
- » Total turnover during the week on BSE stood at Rs. 7,350 crore and on NSE at Rs. 33,187 crore.

Global Stock Indices	Closing Value as on 6 January 2012	Weekly Change (%)
NYSE: DJIA	12,359.9	1.2
FTSE 100	5,649.7	1.4
Nikkei 225	8,390.4	-0.8
Straits Times	2,715.6	2.6
KOSPI	1,843.1	1.0

Source: Yahoo Finance

Net Institutional Activity		
	Equity	Debt
Weekly FII (US \$ Million)	190.0	1033.5
Year -to-date FII (US\$ million)	190.0	1033.5
Weekly Mutual Funds# (Rs Crore)	70.1	6154.1

Source: SEBI #as on 6 Jan, 2012

Indian Equity Indices	Closing Value on 6 January 2012	Week's % Change
BSE SENSEX	15,867.7	2.7
BSE 500	5934.4	2.7
S&P CNX NIFTY	4754.1	2.8
S&P CNX 500	3694.8	2.7

Source: NSE, BSE

COMMODITY MARKETS

- » NYMEX Light Sweet Crude Oil for January delivery stood at US\$ 101.6 per barrel on 6th January 2012.
- » New York spot price for Gold was US\$ 1,616.5 per ounce as on 6th January 2012, up by \$9 per ounce from the previous week.

Commodity Spot Indices	Closing Value as on 6 January 2012	Week's % Change
MCX AGRI	3,332.5	1.5
MCX METAL	4,702.4	1.9
MCX ENERGY	3,602.3	1.5
MCX COMDEX	3,818.8	1.7

Source: MCX, NCDEX

INDUSTRY NEWS

Telecom

- » As per a working group, investment in the Telecom sector would be about Rs. 6,50,000 crore during 12th Plan. Besides, a Telecom Finance Corporation will be created to facilitate firms to access funds at competitive rates.

Oil and Gas

- » In order to double the crude refining installed capacity from 61.7 mtpa to 123 mtpa in the next decade, IOC is planning to set up a new refinery unit worth Rs. 30,000 crore on the western coast in Gujarat with of capacity 15 mtpa.

Textiles

- » As per Hosiery Manufacturing Association, the hosiery sector with an estimated current market size of Rs. 8,000 crore, is projected to have double digit growth ranging between 10-15% in this winter season as compared to last year.

BSE Indices	Closing Value on 6 January 2012	Week's % Change
AUTO INDEX	8,172.7	0.4
BANKEX	9,704.2	6.0
BSE CAPITAL GOODS	8,569.4	6.2
BSE CONSUMER DURABLE	5,407.9	2.3
BSE FMCG	4,023.3	-0.3
BSE HEALTHCARE	5,983.6	1.9
BSE INFOTECH	5,887.6	2.4
BSE MID CAP	5,297.6	3.2
BSE SMALL CAP	5,761.6	3.8
BSE TECK INDEX	3,433.5	1.6
METAL INDEX	9,792.5	5.4
OIL & GAS INDEX	7,681.2	2.0

Source: BSE

CNX Segment Indices	Closing Value on 6 January 2012	Week's % Change
CNX NIFTY Junior	8,593.5	3.1
CNX MIDCAP	6,275.3	2.7
BANK NIFTY	8,452.8	6.1
CNX IT	6,289.9	2.5
CNX Realty	187.0	1.5
CNX Infrastructure	2,188.0	3.0

Source: NSE

GLOBAL NEWS

USA

- » Non farm payroll employment rose by 200,000 in December 2011 and the unemployment rate stood at 8.5%. Job gains occurred in transporting and warehousing, retail trade, healthcare, manufacturing and mining.
- » The Federal Reserve, in its latest Monetary Policy Meet decided to start publishing internal forecasts of its plan for interest rates over several years in order to make its strategies clearer to the public.

Europe

- » The Euro Area (EA17) seasonally adjusted unemployment rate stood at 10.3% for

November 2011, unchanged from the previous month.

- » The European Central Bank was forced to step into Government bond markets to buy debt issued by Italy and Spain as borrowing costs spiraled on concerns of the Euro zone financial system.

Asia

- » Financial Statistics in China fared better than expectation in November 2011, with broad money rising by 12.7%, RMB loans increasing by 562.2 billion yuan and RMB deposits rising by 324.7 billion yuan, according to China's central bank.

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



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