



Confederation of Indian Industry
Since 1895

Economy Update

Weekly Newsletter

21-27 March 2011

INDICATORS

Inflation Rate for the week ending 12 March 2011

Categories	Weekly	Annual
Primary articles	1.0	13.5
Fuel, power, light & lubricant	0.0	12.8

- The annual **inflation** in **primary articles** for the week ending 12 March, increased to 13.5% from 12.3% in the previous week.
- The annual **inflation** in **food articles** increased to 10.1% for the week ended 12 March 2011, from 9.4% in the previous week.
- **Foreign Exchange Reserves** as on 18 March 2011 stood at US \$ 303.5 billion, up by US \$ 1.7 billion over previous week.
- The **call money rates** as on 18 March 2010 traded in the range of 6.1 – 7.7%.
- At the **Treasury bills auctions** held during the week, the YTM for 91-day T-Bills stood at 7.3%.



Dear Reader,

Despite food prices being under control, Inflation is still a cause of concern, mainly on account of rising non food inflation index. The index for non-food inflation increased by 3.3% in the week ending 12 March as compared to the previous week because of a 10% increase in the index for Fibers. This is mostly attributed to rising international raw material prices. To add to the inflationary pressures, international crude oil prices have also reached US\$ 105.4 per barrel after having moderated in the previous weeks. In a bid to provide relief from high inflation, the government increased dearness allowance by 6 per cent this week. This move is expected to benefit over 50 lakh central government employees and 38 lakh pensioners.

Chandrajit Banerjee

Director General, CII

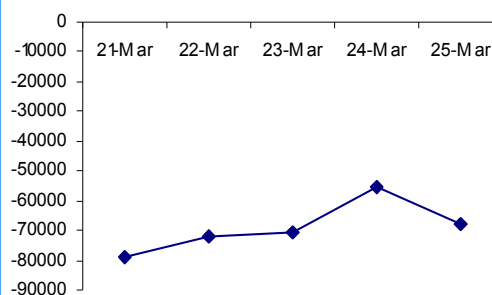
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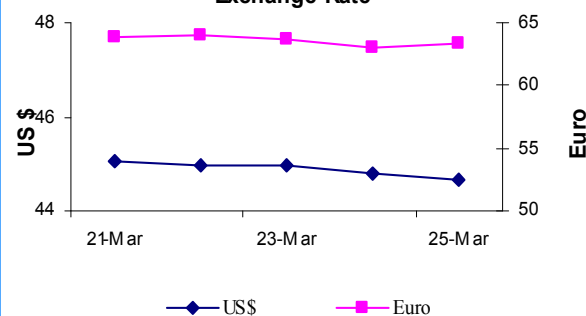
POLICY DEVELOPMENT

- Finance minister Pranab Mukherjee has rolled back the controversial 5% service tax on high end hospitals and certain diagnostic services.
- The Government gave some relief to garment makers by raising the abatement available for levy of excise duty on retail price of branded garments and textile made ups from 40% to 55%.
- In a bid to provide relief from high inflation, the GOI increased dearness allowance by 6% to 51%.
- The finance ministry has opposed the RBI's suggestion to restrict Foreign Direct Investment (FDI) in new banks to 49%, saying the change in norms will hurt investor sentiments.

Net Absorption through LAF (Rs Crore)



Exchange Rate



BANKING INDICATORS

Indicators	Outstanding as on 11 March ,2011	% Variation over	
		Fortnight	Year
Total Bank Credit	38,56,066	1.2	23.2
Food Credit	66,073	1.2	33.7
Non Food Credit	37,89,994	1.2	23.2
Aggregate Deposit	51,40,369	1.1	16.6
Broad Money (M3)	64,32,753	1.2	16.6
Credit Deposit Ratio	75.0		

Source: RBI

EQUITY MARKETS

- NYSE DJIA showed 3.1% growth over the previous week due to better job data and also better than expected fourth quarter US GDP data.
- Asian markets showed positive signs taking their cue from Wall Street despite debt concerns in Euro Zone.
- Indian key benchmark indices closed positive after two consecutive weeks when indices were in red. Sentiments remained strong as global markets turned positive and crude oil prices showed a decline. All sectoral indices closed in green with Realty and Bank being the largest gainers for the week ending 25 March.
- Total turnover during the week on BSE stood at Rs 16,700 crore and at NSE at Rs 49,422 crore.

COMMODITY MARKETS

- NYMEX **light sweet Crude Oil** for April delivery stood at US \$ 105.4 per barrel on 25 March 2011, up by US \$ 4.3 per barrel from the previous week.
- New York **spot price for Gold** was US \$ 1,426.7 per ounce as on 25 March 2011, up by US\$ 9.9 per ounce.

Global Stock Indices	Closing Value as on 25 March 2011	Weekly Change (%)
NYSE: DJIA	12,220.6	3.1
FTSE 100	5,900.8	3.2
Nikkei 225	9,536.1	3.6
Straits Times	3,070.8	4.6
KOSPI	2,054.0	3.7

Source: Yahoo Finance

Indian Equity Indices	Closing Value on 25 March 2011	Week's % Change
BSE SENSEX	18,815.6	5.2
BSE 500	7,229.5	4.4
S&P CNX NIFTY	5,654.3	5.2
S&P CNX 500	4,493.4	4.5

Source: NSE, BSE

Net Institutional Activity

	Equity	Debt
Weekly FII (US \$ Million)	118.4	-220.7
Year -to-date FII (US\$ million)	-1,536.3	2,904.6
Weekly Mutual Funds# (Rs Crore)	-27.7	3,984.6

Source: SEBI

#as on 24 March 2011

Commodity Spot Indices	Closing Value as on 26 March 2011	Week's % Change
MCX AGRI	2,734.1	-2.1
MCX METAL	4,479.2	1.9
MCX ENERGY	3,254.5	2.7
MCX COMDEX	3,485.6	1.6

Source: MCX, NCDEX

INDUSTRY NEWS

Industrial goods

- India's largest iron ore producer NMDC is in talks for acquiring coking coal mines in British Columbia, a Canadian province. Thus taking a step to diversifying into coal and coking coal.

Energy

- General Electric (GE) is mulling local manufacturing of wind turbine components that could substantially reduce the cost of equipment for wind energy, bring in advanced technology to India as well as create jobs.

Oil and Gas

- Reliance industries may not touch peak output of 80 million cubic metre a day of gas from its east coast deep water block by April 2012.

Sugar

- Sugar prices to surge on low output in UP. Final production seen falling 1.4 million tonne short of initial estimates for the season

BSE Indices	Closing Value on 25 March 2011	Week's % Change
AUTO INDEX	8,848.0	4.3
BANKEX	12,926.1	6.1
BSE CAPITAL GOODS	13,019.0	5.2
BSE CONSUMER DURABLE	5,927.5	2.6
BSE FMCG	3,510.0	3.4
BSE HEALTHCARE	5,964.2	3.1
BSE INFOTECH	6,344.6	5.7
BSE MID CAP	6,721.6	3.3
BSE SMALL CAP	8,001.6	2.6
BSE TECK INDEX	3,729.3	5.6
METAL INDEX	15,842.7	3.7
OIL & GAS INDEX	9,979.8	3.0
Source: BSE		

CNX Segment Indices	Closing Value on 25 March 2011	Week's % Change
CNX NIFTY Junior	10,943.1	3.1
CNX MIDCAP	7,824.2	3.1
BANK NIFTY	11,387.3	6.3
CNX IT	6,930.7	5.8
CNX Realty	299.0	9.6
CNX Infrastructure	2,987.9	5.4
Source: NSE		

GLOBAL NEWS

USA

- In the week ending March 19 2011, the advanced figures for seasonally adjusted initial claims was 382,000, a decrease of 5,000 from the previous week's revised average of 386,750.
- US real GDP increased at an annual rate of 3.1% in the fourth quarter of 2010, according to the third estimate, primarily due to strong personal consumption expenditure, exports and non-residential fixed investment.

Latin America

- Brazilian economy raised their 2011 inflation outlook to a high of 5.9%. Consumer prices in the 12 months through mid March rose 6.1%, the

biggest jump in more than two years.

Europe

- In January 2011 compared with December 2010, the euro area industrial new orders index rose by 0.1%.
- The rating agency Moody, has downgraded Portugal by two notches from A1 to A3, citing the country's need to cut debt and its poor growth prospects.

Asia

- Japan government estimated that the damages caused from the Tsunami was as much as 25 trillion Yen (US\$ 309 billion).

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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