



Confederation of Indian Industry

Economy Update

Weekly Newsletter

24-30 October 2011

INDICATORS

Inflation Rate for the week ending 15 Oct 2011

Categories	Weekly	Annual
Primary articles	0.3	11.8
Fuel, power, light & lubricant	0.0	14.7

- The annual **inflation** in **primary articles** increased to 11.8% for the week ended 15 October 2011, from 11.2% in the previous week.
- The annual **inflation** in **food articles** increased to 11.4% for the week ended 15 October 2011 from 10.6% in the previous week, while annual inflation in **Non-Food articles** declined to 7.7% from 8.5% in the previous week.
- The Government passed the **New National Manufacturing Policy**. This is aimed at augmenting the share of the manufacturing sector in GDP to 25% by 2022 from the present 16%.
- RBI raised the **Repo Rate** by 25 basis points to 8.5% on 26 October 2011, the thirteenth hike since March 2010.
- **Foreign Exchange Reserves** as on 21 October 2011 stood at US\$ 318.4 billion, up by US\$ 0.9 billion from the previous week.
- The **call money rates** as on 28 October 2011 traded in the range of 7.25 - 8.55%.
- At the **Treasury bills auctions** held during the week, the YTM for 91-day T-Bills stood at 8.65%.



Dear Reader,

Positive news came last week with the RBI expressing its concern on growth for the first time even as it continued to hike interest rates.

The RBI decided to indicate a pause by providing guidance that further rate hikes may not be warranted if inflation begins to moderate along expected lines. Together with news that European leaders announced a set of credible policy measures intended to address the sovereign debt crisis in the euro area, financial markets reacted positively.

Chandrajit Banerjee

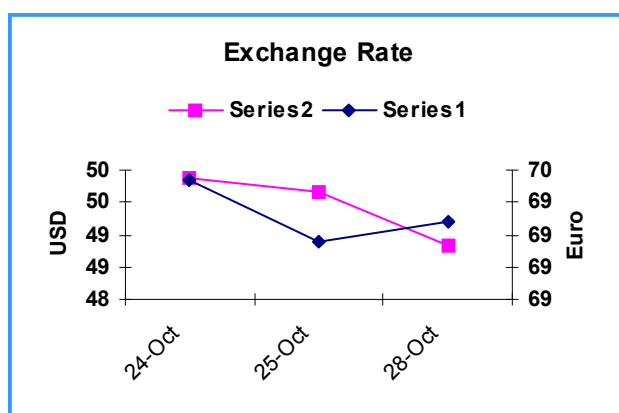
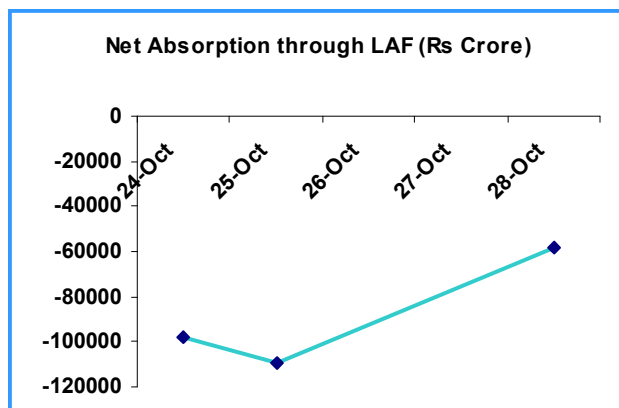
Director General, CII

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POLICY DEVELOPMENT

- RBI in its Monetary Policy Meeting deregulated the saving deposit rates; this will allow banks to attract more public funds by offering higher rates of interest. However, the interest rate on saving deposits up to Rs. 1,00,000 will remain uniform.
- RBI also relaxed branch opening norms for domestic scheduled commercial banks in Tier-II cities. This will help in improving bank expansion and promoting banking in India. Following this relaxation, banks can open branches in these cities without seeking prior approval from the Central Bank.
- DIPP has floated a proposal for allowing FDI in the aviation sector. It would allow foreign airlines to pick up a stake of up to 26% in domestic carriers.



BANKING INDICATORS

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

Source: RBI

EQUITY MARKETS

- Strong Chinese manufacturing data at the start of the week and the announcement of a deal struck by EU leaders in dealing with the debt crisis, led to European stocks showing positive movement through the week. Financial stocks led the rally, following the announcement of the deal.
- US markets posted gains mid week on the back of progress on a deal in the EU region. Release of Q3 GDP data contributed to the positive sentiment, although markets remained relatively flat towards the end of the week.
- Asian stocks rallied following news of an EU deal and on the back of positive global developments.
- Total turnover during the week on BSE stood at Rs 10,038 crore and on NSE at Rs 48,858 crore.

COMMODITY MARKETS

- NYMEX **West Texas Intermediate Crude Oil** for November delivery stood at US\$ 90.2 per barrel on 26 October 2011, up by US\$ 4.1 per barrel from the previous week.
- New York **spot price for Gold** was US\$ 1741 per ounce as on 28 October 2011, up by US\$ 98.5 per ounce from the previous week.

Global Stock Indices	Closing Value as on 28 October 2011	Weekly Change (%)
NYSE: DJIA	12,231.1	3.6
FTSE 100	5,702.2	3.9
Nikkei 225	9,050.5	4.3
Straits Times	2,905.7	7.1
KOSPI	1,929.5	5.0

Source: Yahoo Finance

Indian Equity Indices	Closing Value on 28 October 2011	Week's % Change
BSE SENSEX	17804.8	6.1
BSE 500	6782.2	5.0
S&P CNX NIFTY	5360.7	6.2
S&P CNX 500	4229.75	5.1

Source: NSE, BSE

Net Institutional Activity

	Equity	Debt
Weekly FII (US \$ Million)	85.36	-157.1
Year -to-date FII (US\$ million)	-85.70	4350.9
Weekly Mutual Funds# (Rs Crore)	-131.3	487.4

Source: SEBI

#as on 28 Oct, 2011

Commodity Spot Indices	Closing Value as on 28 October 2011	Week's % Change
MCX AGRI	3,216.1	1.3
MCX METAL	4,650.7	5.1
MCX ENERGY	3,149.8	3.4
MCX COMDEX	3,603.5	3.9

Source: MCX, NCDEX

INDUSTRY NEWS

BSE Indices	Closing Value on 28 October 2011	Week's % Change
AUTO INDEX	9,571.1	8.2
BANKEX	11,372.5	2.5
BSE CAPITAL GOODS	11,035.5	4.5
BSE CONSUMER DURABLE	6,633.4	-1.1
BSE FMCG	4,153.4	4.0
BSE HEALTHCARE	6,170.6	4.6
BSE INFOTECH	5,830.3	2.3
BSE MID CAP	6,274.9	1.4
BSE SMALL CAP	6,959.7	0.7
BSE TECK INDEX	3,521.6	2.0
METAL INDEX	12,142.7	7.2
OIL & GAS INDEX	9,179.2	3.6

Source: BSE

Packaging

The packaging industry, driven mostly by the plastic packaging segment, is expected to expand by 15% per annum on the back of rising consumption and demand, according to industry estimates. The current market size of the industry is worth US\$ 13.5 billion and is expected to touch US\$ 18 billion by 2015.

Medical Tourism

Medical tourism is expanding fast in India. The industry is expected to become a US\$ 3 billion by 2015, whereas, the number of medical tourists is likely to cross 1.3 million mark, from 0.8 million last year, according to industry estimates.

Textiles

- The Government has approved 21 new Textile Parks under the Scheme for Integrated Textile Parks with a total cost Rs. 2,100 cores. The scheme will be implemented over a duration of three years.
- Apparel manufacturers and retailers are likely to slash prices by 10-15% for the upcoming spring-summer season on account of drop in sales and correction in the cotton prices.

Steel

- A likely hike in the price of steel in the coming months will lead to more expensive white goods and cars; with companies set to pass the burden to the consumers.

CNX Segment Indices	Closing Value on 28 October 2011	Week's % Change
CNX NIFTY Junior	9,997.8	3.3
CNX MIDCAP	7,239.8	3.3
BANK NIFTY	9,917.1	2.3
CNX IT	6,274.0	5.5
CNX Realty	262.2	9.2
CNX Infrastructure	2,691.8	5.4

Source: NSE

GLOBAL NEWS

USA

- According to the Q3 2011 advance estimate, GDP rose at an annual rate of 2.5% (Q3 over Q2). This reflected a positive contribution from personal consumption expenditure, non residential fixed investment, exports and federal government spending.
- According to the Bureau of Economic Analysis, personal income in the US rose 0.1%, in September 2011. This is following a drop of 0.1% in personal income in the previous month.

Europe

- The Euro Zone leaders decided on a package to deal with the sovereign debt crisis. The salient features required private owners to accept a 50%

writedown on their investments and a proposed expansion in the size of the EFSF bailout fund.

- Household savings rate was up to 13.9% in the euro area and 12.6% in the EU 27, according to data released by Eurostat.

Asia

- The Chinese Manufacturing sector expanded in October, according to the HSBC flash PMI Survey. This is following three successive months of contraction, and reflects a pickup in new orders and output.

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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