



Confederation of Indian Industry

Economy Update



» WEEKLY NEWSLETTER

» 26 Dec—1 Jan 2012

Dear Reader,

Sustained high inflation which emerged as a major concern for the policy makers, industry and consumers alike in last one-and-a-half year witnessed some moderation in the last week of 2011. Food inflation infact eased to its lowest in nearly six years. Though this moderation has to be sustained for a relatively longer time to be confident of its downward trajectory, but, at this stage, it can definitely be considered as a positive indication given the depressed macro-economic scenario.

This has also raised the hopes that RBI would consider some reversal in its interest rate hikes rather than just a pause in the forthcoming monetary policy review.

Chandrajit Banerjee
(Director General, CII)

INDICATORS

Inflation Rate for the week ending 17 December 2011

Categories	Weekly	Annual
Primary articles	-0.1	2.7
Fuel, power, light & lubricant	0.2	14.4

» The annual **inflation in primary articles** decreased to 2.7% for the week ended 17 December 2011, from 3.8% in the previous week.

» The annual **inflation in food articles** decreased to 0.4% for the week ended 17 December 2011 from 1.8% in the previous week, while annual inflation in **Non-Food articles** declined to 0.3% from 1.4% in the previous week.

» **Index of Eight Core Industries expanded** at a rate of 6.8% in November 2011 as compared to 3.7% during the same period last year.

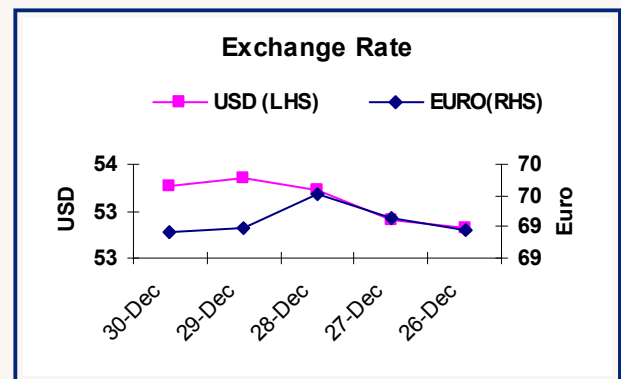
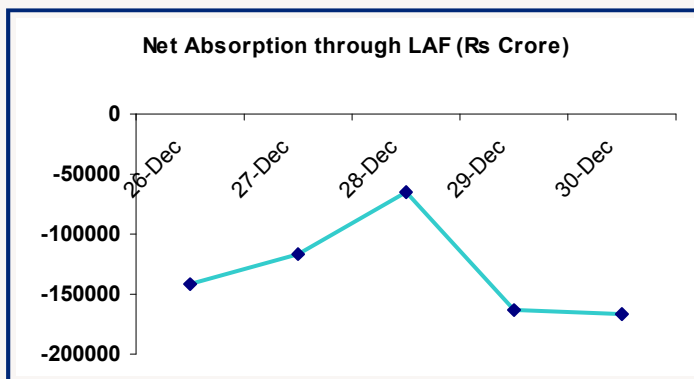
» **Foreign Exchange Reserves** as on December 23 2011 stood at US\$ 300.9 billion, down by US\$ 1.2 billion from the previous week.

» The **call money rates** as on December 30 2011 traded in the range of 7.0-9.6%.

» At the **Treasury bills auctions** held during the week, the YTM for 91-day T-Bills stood at 8.5%.

POLICY DEVELOPMENT

- » The Government is looking to borrow Rs. 40,000 crore extra from the market in order to counter sluggish tax revenue and mounting expenditure commitments.
- » The Planning Commission has asked ministries and departments to limit the increase in plan outlay for the 12th Plan period to 15%, in order to deal with the growing fiscal deficit.
- » The Government has relaxed an accounting rule for foreign exchange loans, effective December 29.



BANKING INDICATORS

<i>Rs. Crore</i>			
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

- » Global stocks remained relatively flat through the week, with little in term of news. The Italian bond auction dominated developments and USA markets saw a glimmer of positive economic news.
- » Indian markets experienced a volatile session in the previous week owing to mixed global cues.
- » Total turnover during the week on BSE stood at Rs. 7,178 crore and on NSE at Rs. 33,793 crore.

Global Stock Indices	Closing Value as on 30 December 2011	Weekly Change (%)
NYSE: DJIA	12,217.56	-0.6
FTSE 100	5572.3	1.1
Nikkei 225	8455.35	0.7
Straits Times	2646.4	-1.1
KOSPI	1825.74	-2.2

Source: Yahoo Finance

Net Institutional Activity		
	Equity	Debt
Weekly FII (US \$ Million)	65.7	261.6
Year -to-date FII (US\$ million)	-357.8	8,654.6
Weekly Mutual Funds# (Rs Crore)	304.6	17,437.9

Source: SEBI #as on 30 Dec, 2011

Indian Equity Indices	Closing Value on 30 December 2011	Week's % Change
BSE SENSEX	15454.9	-1.8
BSE 500	5778.7	-1.7
S&P CNX NIFTY	4624.3	-1.9
S&P CNX 500	3597.7	-1.7

Source: NSE, BSE

COMMODITY MARKETS

- » NYMEX Light Sweet Crude Oil for January delivery stood at US\$ 98.8 per barrel on 30 December 2011.
- » New York spot price for Gold was US\$ 1,531 per ounce as on 29 December 2011, down by US\$ 75.5 per ounce from the previous week.

Commodity Spot Indices	Closing Value as on 30 December 2011	Week's % Change
MCX AGRI	3,281.8	3.6
MCX METAL	4,614.9	-1.6
MCX ENERGY	3,548.9	-0.4
MCX COMDEX	3,755.2	-0.3

Source: MCX, NCDEX

INDUSTRY NEWS

Automobile

- » Maruti sold nearly 1 million cars during April-December 2011 which includes both domestic sales and exports. To meet the growing demand, the company is installing a third plant in Manesar with a capacity of 2,50,000 units per annum and investment of Rs. 1,925 crore.

Pharmaceuticals

- » Pharma exports are likely to expand by 20% to earn a record Rs. 50,000 crore revenue in 2010-11 over last year's sales of Rs. 42,029 crore as per industry sources. This is due to fresh contracts received from North America and Europe. The trend is likely to be robust in next two years as US\$ 36.7 billion worth drugs are expected to go off patent.

Banking

- » NABARD is projecting a credit outflow of Rs. 52,168 crore under the priority sector in Karnataka in 2012-13, an increase of 27% over 2011-12

BSE Indices	Closing Value on 30 December 2011	Week's % Change
AUTO INDEX	8,143.7	-1.7
BANKEX	9,153.4	-4.0
BSE CAPITAL GOODS	8,067.6	-1.1
BSE CONSUMER DURABLE	5,284.3	-0.8
BSE FMCG	4,035.3	-1.3
BSE HEALTHCARE	5,870.5	0.2
BSE INFOTECH	5,751.9	1.3
BSE MID CAP	5,135.1	-1.0
BSE SMALL CAP	5,550.1	-1.2
BSE TECK INDEX	3,380.3	1.6
METAL INDEX	9,293.2	-2.5
OIL & GAS INDEX	7,529.3	-5.0

Source: BSE

CNX Segment Indices	Closing Value on 30 December 2011	Week's % Change
CNX NIFTY Junior	8,333.1	-1.6
CNX MIDCAP	6,111.9	-1.2
BANK NIFTY	7,968.7	-4.0
CNX IT	6,139.0	1.3
CNX Realty	184.2	-3.9
CNX Infrastructure	2,124.9	-0.1

Source: NSE

GLOBAL NEWS

USA

- » The unemployment rate fell by 0.4% to 8.6% in November and non farm payroll employment rose by 120,000.

Europe

- » Spain is expected to have a budget deficit of 8% of GDP in 2011, wider than the 6% target. The Government is now looking to make spending cuts and tax increases by \$19.4 billion, to reduce the gap.
- » Following a dismal bond auction, Italy's 10 year bond yields still hovered close to 7% level at 6.979%. Out of the EUR 8.5 billion it hoped to find buyers for, the country only

managed to place EUR 7 billion.

Asia

- » The official Chinese Purchasing Managers Index, gauging manufacturing in the country, rose from its 49 level in November to 50.3 in December, indicating expansion in the sector.
- » Following an expansion of 4.8% in 2011, Singapore's government warned that growth in the country would slow in 2012, owing to the global economic environment.

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