



Confederation of Indian Industry

Economy Update

Weekly Newsletter

28 November-4 December 2011

INDICATORS

Inflation Rate for the week ending 19 Nov 2011

Categories	Weekly	Annual
Primary articles	-0.7	7.7
Fuel, power, light & lubricant	0.2	15.5

- The annual **inflation** in **primary articles** decreased to 7.7% for the week ended 19 November 2011, from 9.1% in the previous week.
- The annual **inflation** in **food articles** declined to 8.0% for the week ended 12 November 2011 from 9.1% in the previous week, while annual inflation in **Non-Food articles** fell to 2.1% from 4.1% in the previous week.
- India's **GDP** for Q2 FY12 skids to a two year low, standing at 6.9%.
- Agriculture** recorded a growth of 3.2% in Q2 FY12 as compared to 5.4% in the same period last fiscal year.
- Industrial** growth plummeted to 3.2% in Q2 FY12 as compared to 7.1% in the corresponding period last year. This was mainly on account of poor performance in Mining and manufacturing sector.
- Services** sector continue to grow at a robust 9.3% as compared to 9.6% in Q2 FY11.
- Foreign Exchange Reserves** as on 25 November 2011 stood at US\$ 304.4 billion, down by US\$ 4.3 billion from the previous week.
- The **call money rates** as on 2 December 2011 traded in the range of 6.9 - 8.5%.
- At the **Treasury bills auctions** held during the week, the YTM for 91-day T-Bills stood at 8.8%.



Dear Reader,

With GDP numbers coming in at a 2-year low, CII is concerned about the direction of the economic growth trajectory. What is also worrying is the significant pull down in investments in the second quarter, which will have an impact on the growth potential in subsequent quarters as well. CII hopes that the RBI will take note and resist from hiking interest rates further at its next policy announcement. The moderation in the weekly inflation data provides some comfort in this direction.

Chandrajit Banerjee

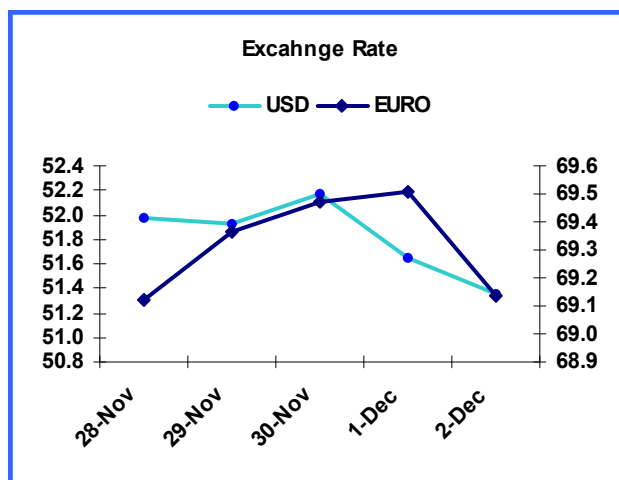
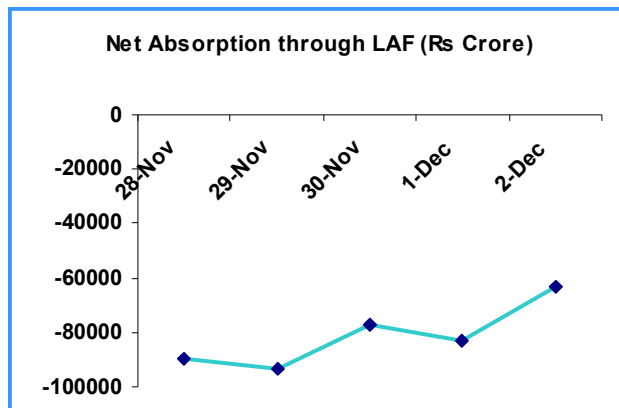
Director General, CII

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POLICY DEVELOPMENT

- India's insurance regulator IRDA, has recently released norms that will govern initial public offerings (IPOs) by life insurance companies in a bid to help them raise capital from the public.
- The Government approved an additional Rs 800 crore for extending interest subsidies to exporters till march 2012 in the backdrop of slowdown in major global markets in Europe and US. The scheme, under which a 2% interest subvention is given to commercial banks for their concessional lending to exporters, has been extended for the current fiscal for handicrafts, handlooms, carpet and small and medium enterprises sector.
- The Directorate General of Foreign Trade (DGFT) is considering scrapping provisions which mandate that some goods be imported through state trading agencies, in a measure that could ease trade policy and remove constraints on supply. Such items could include aviation turbine fuel (ATF), and skimmed milk powder.



BANKING INDICATORS

Indicators	Outstanding as on 18 November, 2011	% Variation over	
		Fortnight	Year
Total Bank Credit	41,89,044	0.2	17.7
Food Credit	78,713	1.6	35.7
Non Food Credit	41,10,331	0.2	17.4
Aggregate Deposit	56,47,264	-0.1	16.4
Broad Money (M3)	70,13,674	0.0	15.2
Credit Deposit Ratio	74.2		

Source: RBI

Source: RBI

EQUITY MARKETS

- US and European stocks rose after data showed that US jobless rate dropped to a 2 and a half years low and as policy makers in Europe appeared to move a step closer to tackling Europe's debt crisis.
- Asian stocks rose, extending the biggest weekly gain since August 2007, as the euro and oil advanced after Italian Prime Minister Mario Monti introduced a proposal to cut the nation's debt.
- Renewed optimism among global investors helped Indian stocks and the rupee to ride high in the week ending 2 December 2011, after a four week losing streak. The market also showed positivity from the reform intent showed by the central government in allowing foreign investments in sectors like retail and aviation.
- Total turnover during the week on BSE stood at Rs 9,870 crore and on NSE at Rs 54,991 crore.

COMMODITY MARKETS

- NYMEX **West Texas Intermediate Crude Oil** for January delivery stood at US\$ 96.8 per barrel on 25 November 2011, down by US\$ 0.6 per barrel from the previous week.
- New York **spot price for Gold** was US\$ 1,746.4 per ounce as on 25 November 2011, up by US\$ 63.4 per ounce from the previous week.

Global Stock Indices	Closing Value as on 2 December 2011	Weekly Change (%)
NYSE: DJIA	12,019.4	7.0
FTSE 100	5,552.3	7.5
Nikkei 225	8,643.8	5.9
Straits Times	2,773.4	4.9
KOSPI	1,916.0	7.9

Source: Yahoo Finance

Indian Equity Indices	Closing Value on 2 December 2011	Week's % Change
BSE SENSEX	16,846.8	7.3
BSE 500	6,357.4	5.8
S&P CNX NIFTY	5,050.2	7.2
S&P CNX 500	3,962.1	5.9

Source: NSE, BSE

Net Institutional Activity

	Equity	Debt
Weekly FII (US \$ Million)	-844.2	-331.0
Year -to-date FII (US\$ million)	-187.3	4,877.9
Weekly Mutual Funds# (Rs Crore)	-250.1	6,864.5

Source: SEBI

#as on 1 dec, 2011

Commodity Spot Indices	Closing Value as on 3 December 2011	Week's % Change
MCX AGRI	3,815.6	2.4
MCX METAL	4,894.3	3.5
MCX ENERGY	3,550.3	3.4
MCX COMDEX	3,815.6	2.4

Source: MCX, NCDEX

INDUSTRY NEWS

BSE Indices	Closing Value on 2 December 2011	Week's % Change
AUTO INDEX	8,819.9	5.5
BANKEX	10,550.5	8.0
BSE CAPITAL GOODS	9,933.5	4.2
BSE CONSUMER DURABLE	5,883.2	1.8
BSE FMCG	4,111.2	5.4
BSE HEALTHCARE	6,124.8	3.2
BSE INFOTECH	5,726.9	6.0
BSE MID CAP	5,763.4	2.7
BSE SMALL CAP	6,190.0	2.3
BSE TECK INDEX	3,469.6	5.6
METAL INDEX	10,913.6	10.5
OIL & GAS INDEX	8,410.6	6.5

Source: BSE

Tourism

- Gujarat Tourism said that it will spend Rs 635 crore in developing tourism-related infrastructure over the next three years with an aim to increase the share of tourism revenue in state GDP, which currently is only about 1%.

Oil and Gas

- India's state-run refiners reduced petrol prices for the second time in two weeks. Indian Oil Corp. Ltd, the nation's biggest refiner, has cut automobile fuel price by 1.2% in Delhi. On the other hand, state-owned oil companies, hiked jet fuel price by a steep 3.7%, the third increase in rates in a month.

Steel

- Indian steel makers may have to slash production by 20% from the next fiscal as demand continues to taper off. Demand has fallen to 2.9% in April-October 2011 from 8.5% in the same period last fiscal as high interest rates deter car and home buyers and companies cut down investment plans

Retail

- Government announced that, multi-brand retailers with foreign direct investment (FDI) will have to source at least 30% from domestic small units

CNX Segment Indices	Closing Value on 2 December 2011	Week's % Change
CNX NIFTY Junior	9,412.0	3.6
CNX MIDCAP	6,819.4	3.4
BANK NIFTY	9,172.8	8.1
CNX IT	6,122.9	5.6
CNX Realty	222.5	6.1
CNX Infrastructure	2,499.7	5.1

Source: NSE

GLOBAL NEWS

USA

- In the week ending 26 November, the advance figure for seasonally adjusted initial claims was 402,000, an increase of 6,000 from the previous week's revised figure of 396,000.
- US unemployment rate fell by 0.4% to 8.6% in November, and non-farm payroll employment rose by 120,000. Employment continued to trend up in retail trade, leisure and hospitality, professional and business services and health care.

Europe

- The Euro Area seasonally adjusted unemployment rate was 10.3% in October 2011, compared with 10.2% in September. It was 10.1% in September 2010.

- Euro Area annual inflation is expected to be around 3.0% in November 2011. It was stable at 3.0% in October as well.
- In October 2011 compared with September 2011, the industrial producer price index rose by 0.1% in the euro area and by 0.2% in the EU27.

Asia

- China's trade deficit increases from US\$ 19 billion in 2009-10 to US\$ 23.9 billion in the last financial year, due to rising imports.
- China's Consumer price Index (CPI) is likely to fall to 5.5% in October due to falling food prices.

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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