Confederation of Indian Industry
Since 1895

Economy Update

Weekly Newsletter

29 November-5 December 2010

INDICATORS

Inflation Rate for the week ending 20 November 2010		
Categories	**Weekly**	**Annual**
Primary articles	**0.66**	**12.72**
Fuel, power, light & lubricant	**0.07**	**9.99**

- India recorded **8.9% growth** in the second quarter of 2010-11 due to strong growth in the agriculture and service sector.
- Annual **WPI inflation rate for primary articles** for the week ending 20 November, 2010 stood at 12.72% as compared to previous week's level of 13.38%.
- The annual **inflation** in food articles decreased to 8.6% for the week ended 20 November 2010, from 10.15% for the previous week.
- India's **export** during October 2010 was valued at US$ 17.96 billion, showing a y-o-y growth of 21.4%. **Imports** were valued at US$ 27.68 billion, representing a growth of 6.8% and **trade deficit** stood at 9.7 billion.
- **Foreign Exchange Reserves** as on 26 November 2010 stood at US $ 293.98 billion, down by US$ 4.01 billion over previous week.
- The **call money rates** as on 19 November 2010 traded in the range of 4.3 – 6.4 percent.
- At the **Treasury bills auctions** held during the week, the YTM for 91–day T-Bills stood at 6.97%.

Dear Reader,

GDP growth of 8.9% during the second quarter of 2010-11 reaffirms our belief that the country is on a strong and sustainable growth path. Although there has been some moderation in industrial growth compared to the first quarter, agriculture and services have both recovered. As a result, we expect GDP growth to exceed 8.5% in 2010-11, making India one of the fastest growing countries in the world. It is also heartening that the data shows a revival in both consumption and investment in the first half of 2010-11 compared to the previous year when these indicators were subdued due to the impact of the global crisis. The recovery in agriculture is likely to have a positive impact on rural demand in the coming quarters and maintain the positive momentum in the economy.

Chandrajit Banerjee

IN THIS ISSUE

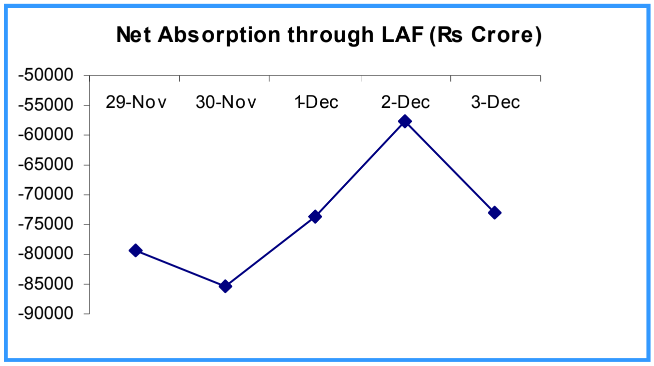
POLICY UPDATE

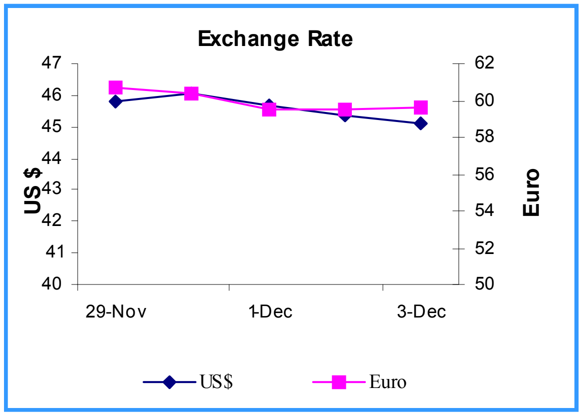
- Uttar Pradesh to outsource rehabilitation payouts:

    ♦ Dispossessed UP farmers to get Rs 20,000/acre for 33 years plus additional Rs 600 annuity per year.

    ♦ Since the payment size and duration are large, government has decided to outsource the disbursements to banks and financial institutions under its R&R policy.

- The Finance ministry has taken the view that the International Financial Reporting Standards (IFRS) needs to be adopted only on consolidated accounts of corporate groups as is the practice in Europe.





BANKING INDICATORS

			Rs. Crore
	Outstanding as on	**% Variation over**	
Indicators	**19 November 2010**	**Fortnight**	**Year**
Total Bank Credit	**35,58,060**	**0.8**	**22.7**
Food Credit	**58,008**	**7.9**	**38.6**
Non Food Credit	**34,00,053**	**-2.2**	**19.0**
Aggregate Deposit	**48,49,605**	**0.8**	**15.8**
Broad Money (M3)	**60,75,813**	**0.8**	**16.2**
Credit Deposit Ratio	**73.4**		
Source: RBI			

EQUITY MARKETS

- Global markets had a good pull-back last week and all major indices closed with gains. The improvement in the sentiment was supported by the financial bail-out package for Ireland and also bullish sentiments in the US due to improvement in sales numbers during the on going festival season .
- Indian market sentiments remained strong due to easing food inflation and also a robust September quarter GDP growth number. Reality and Infrastructure index recorded a strong weekly growth while the BSE FMCG index showed the lowest growth of 2.5%.
- Total turnover during the week on BSE stood at Rs 24,268 crore and at NSE Rs 90.364 crore.

Global Stock Indices	Closing Value as on 3 December 2010	Weekly Change (%)
NYSE: DJIA	11,382.1	2.6
FTSE 100	5,745.3	1.4
Nikkei 225	10,178.3	1.4
Straits Times	3,172.4	0.5
KOSPI	1,957.3	2.9
Source: Yahoo Finance		

Indian Equity Indices	Closing Value on 3 December 2010	Week's % Change
BSE SENSEX	19,966.9	4.3
BSE 500	7,873.4	4.3
S&P CNX NIFTY	5,992.8	4.2
S&P CNX 500	4,875.8	4.2
Source: NSE, BSE		

Net Institutional Activity		
	Equity	Debt
Weekly FII (US $ Million)	371.0	-436.7
Year -to-date FII (US$ million)	29,370.1	9,701.2
Weekly Mutual Funds# (Rs Crore)	—125.2	-133.5
Source:SEBI	*#as on 1 December 2010*	

COMMODITY MARKETS

- NYMEX **light sweet Crude Oil** for December delivery closed at US $ 89.9 per barrel on 3 December 2010, down by $ 6.1 per barrel over the previous week.
- New York **spot price for Gold** was US $ 1403.5 per ounce as on 3 December 2010, up by US $ 48.5 per ounce over the week.

Commodity Spot Indices	Closing Value as on 4 December 2010	Week's % Change
MCX AGRI	2,685.7	1.4
MCX METAL	4,036.6	2.6
MCX ENERGY	2,814.5	3.2
MCX COMDEX	3,138.3	2.6
Source: MCX, NCDEX		

INDUSTRY NEWS

Banking

- ICICI Bank and HDFC has increased its home loan rates with the increase in its benchmark prime lending rate.

Aviation

- Air carriers such as Air India, Jet Airways and Kingfisher are likely to present proposal to cut spot prices by 20-25% after being pressurized by the aviation industry's regulator, DGCA.

Infrastructure/Industrial Goods

- A sharp slowdown in off take from the infrastructure segment, extended monsoon, labour shortage (due to festive season) and huge stock positions at the dealer and consumer level have resulted in poor sales growth for the Indian cement industry. On a m-o-m basis Jaypee cement experienced a 25% decline in sales growth while Aditya Birla recorded 22% decline and JK Lakshmi cement, a fall of 21% in October 2010.
- Cement prices have fallen by Rs 10-15 a bag across the country in November. The drop in prices come after a rise of Rs 50-80 a bag in October.

Telecom

- Mobile phone companies have opposed TRAI's proposal to have at least one standard tariff plan across all operators and TRAI's intervention in fixing a cap for premium SMSes.

BSE Indices	Closing Value on 3December 2010	Week's % Change
AUTO INDEX	10,291.9	4.3
BANKEX	14,066.1	5.9
BSE CAPITAL GOODS	15,426.6	4.2
BSE CONSUMER DURABLE	6,386.1	3.0
BSE FMCG	3,597.1	2.5
BSE HEALTHCARE	6,706.4	3.5
BSE INFOTECH	6,230.8	3.7
BSE MID CAP	7,883.0	3.6
BSE SMALL CAP	9,859.0	3.6
BSE TECK INDEX	3,771.8	3.5
METAL INDEX	16,190.4	5.0
OIL & GAS INDEX	10,324.8	4.8
Source: BSE		

CNX Segment Indices	Closing Value on 3 December 2010	Week's % Change
CNX NIFTY Junior	12,500.2	5.5
CNX MIDCAP 200	9,011.3	3.7
BANK NIFTY	12,349.2	5.8
CNX IT	6,856.7	3.6
CNX Reality	390.5	21.8
CNX Infrastructure	3,424.9	6.9
Source: NSE		

GLOBAL NEWS

USA

- In the week ending November 27, the advanced figures for seasonally adjusted initial claims was 4,36,000, an increase of 26,000 from the previous week's revised figure of 4,10,000.
- US unemployment rate for November 2010 edged up to 9.8% as compared to 9.6% in the past three months.
- US auto sales rose 17% from a year earlier, a stronger than expected gain that pointed to a slow but steady return in consumer demand from the depressed levels of a year ago.
- New orders received by US factories dropped 0.9% to a seasonally adjusted $420 billion in October, a setback for the manufacturing sector as demand declined across a broad array of goods.

Europe

- Euro area GDP growth for the third quarter stood at 0.4% as compared to 1% growth in the second quarter.
- In October 2010, compared with September 2010, the volume of retail trade increased by 0.5% in the euro area and by 0.4% in the EU 27.
- The Euro Area seasonally adjusted unemployment rate was 10.1% in October 2010 as compared with 10.0% in September 2010 and 9.9% in October 2009.

Asia

- China declared to switch to a prudent monetary policy from a moderately loose stance, a change that could pave the way for more interst rate increases and lending controls.
- South Korea's inflation slows to 3.3% in November 2010, after increasing 4.1% in October.

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

Confederation of Indian Industry
Since 1895

249-F, Sector 18, Udyog Vihar, Phase IV, Gurgaon - 122 015, Haryana, INDIA
Tel: +91-124-401 4060-67 • Fax: +91-124-401 4080 • Email: ecopolicy@cii.in • Website: www.cii.in