



Confederation of Indian Industry

# Economy Update

Weekly Newsletter

3-9 October 2011

## INDICATORS

### Inflation Rate for the week ending 24 September 2011

Categories	Weekly	Annual
Primary articles	-0.2	10.8
Fuel, power, light & lubricant	0.0	14.7

- The annual **inflation** in **primary articles** decreased to 10.8% for the week ended 24 September 2011, from 11.4% in the previous week.
- The annual **inflation** in **food articles** increased to 9.4% for the week ended 24 September 2011 from 9.1% in the previous week, while annual inflation in **Non-Food articles** declined to 10.8% from 12.9% in the previous week.
- **Foreign Exchange Reserves** as on 30 September 2011 stood at US\$ 311.5 billion, down by US\$ 1.2 billion from the previous week.
- **HSBC India Composite Index, which covers both the manufacturing and services sector stood at 54.5 in August, down from 57.9 in July.**
- At the **Treasury bills** auctions held during the week, the YTM for 91-day T-bills stood at 8.4%.
- The call money rates as on 7th October 2011, traded in the range of 6.8-8.0%



**Dear Reader,**

The ratings downgrade of SBI by Moody's Investors Service and the continued deterioration in the PMI rattled investors leading to a drop in Indian shares to their lowest close in more than five weeks. This poses an increased risk of FII outflows from India, a further depreciation in the Indian rupee and pressure on input costs. In such a situation, CII would like to see the RBI pause its interest rate hikes in its October 25 policy review.

**Chandrajit Banerjee**

Director General, CII

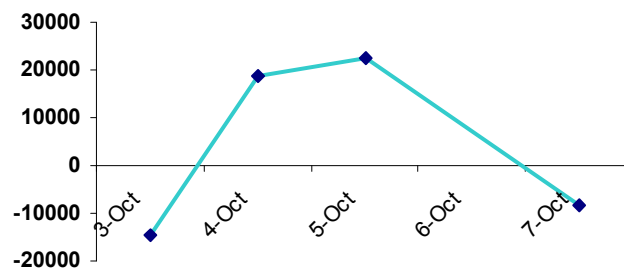
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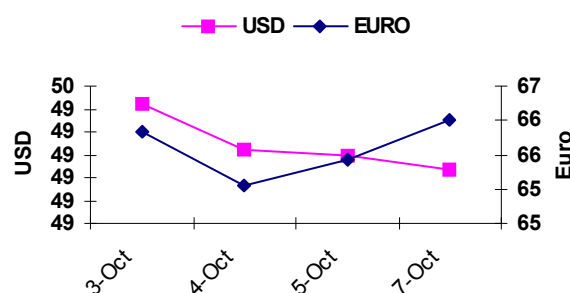
## POLICY DEVELOPMENT

- Kapil Sibal, Minister of Communication and Information technology, unveiled the draft electronic manufacturing policy. India aims to achieve a turnover of US\$ 400 billion from domestic electronics manufacturing by 2020.
- Union Rural Development Minister Jairam Ramesh said that expenditure on Rural Development works would soon come under the ambit of Comptroller and Auditor General.
- Ministry of Commerce is likely to announce sops for exporters next week. Interest subsidy to exporters to cushion from the slowdown in global markets and incentives for some sectors are likely.

Net Absorption through LAF (Rs Crore)



Exchange Rate



## BANKING INDICATORS

Indicators	Outstanding as on 23 September, 2011	% Variation over	
		Fortnight	Year
<b>Total Bank Credit</b>	<b>40,93,155</b>	<b>0.5</b>	<b>19.5</b>
<b>Food Credit</b>	<b>68,245</b>	<b>-7.0</b>	<b>44.5</b>
<b>Non Food Credit</b>	<b>40,24,910</b>	<b>0.6</b>	<b>17.4</b>
<b>Aggregate Deposit</b>	<b>55,30,267</b>	<b>0.2</b>	<b>17.5</b>
<b>Broad Money (M3)</b>	<b>68,58,829</b>	<b>0.0</b>	<b>16.3</b>
<b>Credit Deposit Ratio</b>	<b>74.0</b>		

Source: RBI

## EQUITY MARKETS

- American and European bourses posted handsome gains in the week ending 7th October 2011, on account of US jobs data .
- European shares gained strength with a promise by the German and French lenders to announce fresh measures to solve the euro zone's debt crisis by the month improving investor's appetite for riskier assets. Also, FTSE rose as US jobs data beats expectations.
- Indian stock markets continued its downward trends and closed on a negative note as financial stocks continued to flounder after a rating downgrade of top lender SBI. Indian economic indicators, including the HSBC Markit purchasing managers Index (PMI), released last week also showed weak and dented sentiment.
- Total turnover during the week on BSE stood at Rs. 11,898 crore and on NSE at Rs. 54,619 crore.

## COMMODITY MARKETS

- NYMEX **West Texas Intermediate Crude Oil** for November delivery stood at US\$ 82.9 per barrel on 7 October 2011, down by US\$ 1.6 per barrel from the previous week.
- New York **spot price for Gold** was US\$ 1,637.7 per ounce as on 7 October 2011, up by US\$ 15.9 per ounce

Global Stock Indices	Closing Value as on 7 October 2011	Weekly Change (%)
<b>NYSE: DJIA</b>	<b>11,103.1</b>	<b>1.7</b>
<b>FTSE 100</b>	<b>5,303.4</b>	<b>3.4</b>
<b>Nikkei 225</b>	<b>8,522.0</b>	<b>-2.0</b>
<b>Straits Times</b>	<b>2,640.3</b>	<b>-1.3</b>
<b>KOSPI</b>	<b>1,759.8</b>	<b>-0.6</b>

Source: Yahoo Finance

Indian Equity Indices	Closing Value on 7 October 2011	Week's % Change
<b>BSE SENSEX</b>	<b>16,232.5</b>	<b>-1.3</b>
<b>BSE 500</b>	<b>6,281.9</b>	<b>-1.6</b>
<b>S&amp;P CNX NIFTY</b>	<b>4,888.1</b>	<b>-1.1</b>
<b>S&amp;P CNX 500</b>	<b>3,914.0</b>	<b>-1.6</b>

Source: NSE, BSE

### Net Institutional Activity

	Equity	Debt
<b>Weekly FII (US \$ Million)</b>	<b>-615.0</b>	<b>-220.8</b>
<b>Year -to-date FII (US\$ million)</b>	<b>-563.8</b>	<b>3,781.7</b>
<b>Weekly Mutual Funds# (Rs Crore)</b>	<b>-224.5</b>	<b>7,880</b>

Source:SEBI

#as on 5 Oct, 2011

Commodity Spot Indices	Closing Value as on 8 October 2011	Week's % Change
<b>MCX AGRI</b>	<b>3,047.2</b>	<b>-3.3</b>
<b>MCX METAL</b>	<b>4,496.7</b>	<b>1.2</b>
<b>MCX ENERGY</b>	<b>2,870.2</b>	<b>3.5</b>
<b>MCX COMDEX</b>	<b>3,405.0</b>	<b>1.1</b>

Source: MCX, NCDEX

## INDUSTRY NEWS

BSE Indices	Closing Value on 7 October 2011	Week's % Change
<b>AUTO INDEX</b>	<b>8,487.8</b>	<b>-0.1</b>
<b>BANKEX</b>	<b>10,347.8</b>	<b>-4.6</b>
<b>BSE CAPITAL GOODS</b>	<b>10,822.7</b>	<b>0.7</b>
<b>BSE CONSUMER DURABLE</b>	<b>6,346.0</b>	<b>-0.2</b>
<b>BSE FMCG</b>	<b>3,900.2</b>	<b>-0.3</b>
<b>BSE HEALTHCARE</b>	<b>5,844.9</b>	<b>-0.4</b>
<b>BSE INFOTECH</b>	<b>5,241.3</b>	<b>-0.6</b>
<b>BSE MID CAP</b>	<b>5,959.3</b>	<b>-2.8</b>
<b>BSE SMALL CAP</b>	<b>6,721.6</b>	<b>-2.3</b>
<b>BSE TECK INDEX</b>	<b>3,194.9</b>	<b>-1.7</b>
<b>METAL INDEX</b>	<b>10,910.3</b>	<b>-0.8</b>
<b>OIL &amp; GAS INDEX</b>	<b>8,451.0</b>	<b>-0.5</b>

Source: BSE

### Finance

- Reliance Capital Asset Management Ltd, the mutual fund arm of the Anil Ambani controlled Reliance Group may sell a 26% stake to Japan's Nippon Life Insurance Co..

### Telecom/Mobile Handset

- Mobile handset sales in the country have started sliding or stagnating in line with a slowdown in subscriber additions. Monthly handset sales fall to 12-13 million over past two quarters, down from 15 million last fiscal.
- The telecom sector added only 6.67 million new subscribers in August, down from 23 million in November 2010.

### Banking

- Global ratings firm Moody's downgrade its rating of State Bank of India (SBI) financial strength by one notch to D+ on account of the lenders low Tier-I capital ratio and deteriorating asset quality.

### Oil and Gas

- State-owned Hindustan Petroleum Corporation (HPCL) is likely to acquire a oil and gas block in Africa through its subsidiary, Prize Petroleum. HPCL's move is part of the overall attempt by oil marketing companies to venture into more lucrative oil and gas producing business.

CNX Segment Indices	Closing Value on 7 October 2011	Week's % Change
<b>CNX NIFTY Junior</b>	<b>9,518.9</b>	<b>-3.1</b>
<b>CNX MIDCAP</b>	<b>6,894.2</b>	<b>-2.8</b>
<b>BANK NIFTY</b>	<b>9,038.3</b>	<b>-4.5</b>
<b>CNX IT</b>	<b>5,641.0</b>	<b>-0.7</b>
<b>CNX Realty</b>	<b>234.6</b>	<b>-1.3</b>
<b>CNX Infrastructure</b>	<b>2,558.9</b>	<b>-1.2</b>

Source: NSE

## GLOBAL NEWS

### USA

- In the week ending 1 October, the advance figure for seasonally adjusted initial claims was 401,000, an increase of 6,000 from the previous week's revised figure of 395,000.
- Non-farm payroll employment edged up by 103,000 in September, and the unemployment rate held at 9.1%. The increase in employment partially reflected the return to payrolls of about 45,000 telecommunications workers who had been on strike in August. In September, job gains occurred in professional and business services, health care and construction.

### Europe

- In August 2011 compared with July 2011, the industrial producer price index fell 0.1% in the euro

area and by 0.2% in the EU27. In July prices increased by 0.5% and 0.4% respectively.

- In August 2011 compared with July 2011, the volume of retail trade fell by 0.3% in the Euro Area and by 0.2% in the EU27. In July retail trade rose by 0.2% and 0.1% respectively.

### Asia

- China's Purchasing Managers' Index (PMI) continued to rise to 51.2 in September from 50.9 in August.
- China intends to switch from focusing on exports to purchasing a balanced trade by boosting imports and using them as another catalyst to power the domestic economy, said Vice Minister of Commerce Zhong Shan

#### 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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