



Confederation of Indian Industry

Economy Update

Weekly Newsletter

4-10 July 2011

INDICATORS

Inflation Rate for the week ending 25 June 2011

Categories	Weekly	Annual
Primary articles	0.2	11.6
Fuel, power, light & lubricant	3.8	12.7

- The annual **inflation** in **primary articles** decreased to 11.6% for the week ended 25 June 2011, from 11.8% in the previous week.
- The annual **inflation** in **food articles** decreased to 7.6% for the week ended 25 June 2011 from 7.8% in the previous week, while annual inflation in **Non-Food articles** decreased to 17.7% from 17.9% in the previous week.
- **Net direct tax collection** in the first quarter of FY 2012 amounted to Rs 57,268 crore against Rs 68,675 crore in the same period last year, recording a fall of 17%.
- All **India rainfall** during the week 30 June–6 July 2011 was 25% below LPA. For the country as a whole, cumulative rainfall during this year's monsoon has been 1% above LPA.
- **Foreign Exchange Reserves** as on 1 July 2011 stood at US\$ 315.7 billion, up by US\$ 6.7 billion from the previous week.
- The **call money rates** as on 1 July 2011 traded in the range of 6.0–7.6%.
- At the **Treasury bills auctions** held during the week, the YTM for 91-day T-Bills stood at 8.2%.



Dear Reader,

An assessment of the stage of the business cycle is always difficult in India, given the paucity of economic data. CII has tried to fill in this gap with its own surveys and reports. The CII ASCON Survey has just been released giving an assessment of the growth of 135 manufacturing sectors during the period April-June 2011. Broadly, the results show that the performance of industry moderated during this quarter with an increasing number of sectors reporting moderate growth of 0-10% compared to the same period in the previous year. Rising cost of raw materials and cost of credit have been highlighted as the key concerns of industry.

Chandrajit Banerjee

Director General, CII

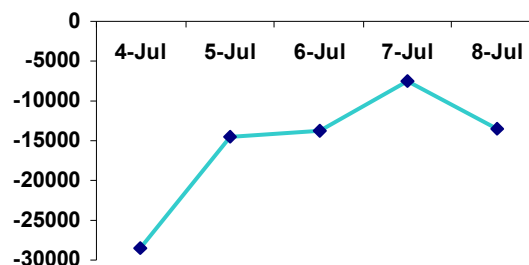
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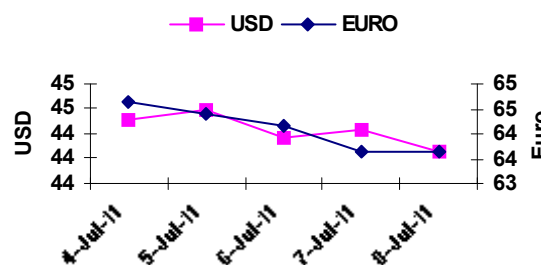
POLICY DEVELOPMENT

- Market regulator SEBI, wants to put in place standard guidelines for the due diligence process carried out by merchant bankers for public issues. The move is aimed to protect investors and enhance the quality of companies coming to the capital market.
- The Union Cabinet cleared the policy on the third phase of FM radio rollout (FM-III), allowing FDI up to 26% in private FM companies. The existing limit of 20% has been in place since 2001.
- According to the new mining Bill, coal companies will have to share 26% profit with the local population. In case of other minerals such as iron ore, bauxite and limestone, the miners will have to share with the locals an amount equal to the royalty paid in previous year.

Net Absorption through LAF (Rs Crore)



Exchange Rate



BANKING INDICATORS

Indicators	Outstanding as on 17 June ,2011	% Variation over	
		Fortnight	Year
Total Bank Credit	40,01,521	0.5	20.7
Food Credit	77,329	4.6	46.0
Non Food Credit	39,24,192	0.5	21.3
Aggregate Deposit	66,86,002	-0.4	17.1
Broad Money (M3)	66,55,037	0.1	16.8
Credit Deposit Ratio	59.8		

Source: RBI

EQUITY MARKETS

- Globally equity markets remained flat after a depressing US payroll report, which indicated that hiring nearly ground to a halt and the unemployment rate hit its highest level of the year in the month of June. On the other hand, European debt concerns are still weighing on the markets as contagion concerns are escalating.
- Indian stocks closed in green in the week ending 8 July 2011 as weekly inflation data showed signs of food inflation moderating. Sectoral Index shows that the highest gainers were Consumer Durables, Auto and Realty, while sectors such as FMCG, Metal and Oil and Gas ended in red.
- Total turnover during the week on BSE stood at Rs 14,776 crore and on NSE at Rs 53,756 crore.

COMMODITY MARKETS

- NYMEX **light sweet Crude Oil** for August delivery stood at US\$ 98.7 per barrel on 8 July 2011, an increase of US\$ 3.8 per barrel from the previous week.
- New York **spot price for Gold** was US\$ 1,542.3 per ounce as on 8 July 2011, up by US\$ 59 per ounce from the previous week.

Global Stock Indices	Closing Value as on 8 July 2011	Weekly Change (%)
NYSE: DJIA	12,657.2	0.6
FTSE 100	5,990.6	0.0
Nikkei 225	10,137.7	2.7
Straits Times	3,151.3	0.4
KOSPI	2,180.4	2.6

Source: Yahoo Finance

Indian Equity Indices	Closing Value on 8 July 2011	Week's % Change
BSE SENSEX	18,858.0	0.5
BSE 500	7,322.1	0.7
S&P CNX NIFTY	5,660.7	0.6
S&P CNX 500	4,554.8	0.7

Source: NSE, BSE

Net Institutional Activity

	Equity	Debt
Weekly FII (US \$ Million)	1,292.6	161.0
Year -to-date FII (US\$ million)	1,924.3	3,292.5
Weekly Mutual Funds# (Rs Crore)	251.5	12,102.3

Source:SEBI

#as on 7 July, 2011

Commodity Spot Indices	Closing Value as on 9 July 2011	Week's % Change
MCX AGRI	2,828.3	3.7
MCX METAL	4,491.3	2.6
MCX ENERGY	3,012.6	4.7
MCX COMDEX	3,415.6	3.5

Source: MCX, NCDEX

INDUSTRY NEWS

BSE Indices	Closing Value on 8 July 2011	Week's % Change
AUTO INDEX	9,101.5	3.6
BANKEX	12,920.4	0.5
BSE CAPITAL GOODS	13,928.0	0.3
BSE CONSUMER DURABLE	6,875.0	4.1
BSE FMCG	4,040.3	-0.2
BSE HEALTHCARE	6,437.3	1.0
BSE INFOTECH	6,199.2	0.8
BSE MID CAP	6,996.3	1.4
BSE SMALL CAP	8,375.1	1.8
BSE TECK INDEX	3,739.5	1.0
METAL INDEX	14,963.8	-1.2
OIL & GAS INDEX	9,020.4	-0.2

Source: BSE

Durables

- After taking away market share from global mobile giants such as Nokia, Samsung, LG, Sony Ericsson and others, Indian handset manufacturers such as Karbonn Mobiles, Intex Lava, Micromax and Maxx mobiles, have now entered markets in Bangladesh, Nepal, Sri-Lanka, West Asia and Africa.

Cement

- The ambitious expansion plans of cement manufacturers face deferral and some are running behind schedule. About Rs 13,000 crore projects have been deferred, while no new clinker capacities have been ordered since April 2011.

Banking

- State Bank of India, the country's largest lender, raised loan rates by 25 basis points raising the cost of borrowing for corporations as well as individuals.
- The RBI has asked banks to go slow on lending to the commercial real estate sector. The regulator fears an asset price bubble.

FMCG

- After seeing the success of its pilot project in Bihar, ITC is planning to launch branded dairy products across the country. Britannia on the other hand, has completed the national launch of Britannia milk while Amul is beefing up its distribution and marketing strategy to woo consumers.

CNX Segment Indices	Closing Value on 8 July 2011	Week's % Change
CNX NIFTY Junior	11,356.8	0.6
CNX MIDCAP	8,115.9	1.1
BANK NIFTY	11,285.2	0.3
CNX IT	6,723.9	0.7
CNX Realty	297.8	8.2
CNX Infrastructure	3,151.7	1.3

Source: NSE

GLOBAL NEWS

USA

- In the week ending July 2 2011, the advance figure for seasonally adjusted initial claims was 418,000, a decrease of 14,000 from the previous week's revised average of 432,000.
- Non-farm payroll employment was essentially unchanged in June, and the unemployment rate was little changed at 9.2%.
- The US Service sector expanded for the 19th consecutive month in June, but at a slower pace than the past few months. The Institute for Supply Management's non-manufacturing index fell from 54.6 in May to 53.3 in June.

Europe

- The European Central Bank raised interest rates to 1.5%. This was the second hike seen in this year as inflation was above target inflation.
- Germany's exports increased by 4.3% in May in comparison to a fall of 5.6% in April 2011.

Asia

- People's Bank of China raised one year deposit rate to 3.5% from 3.25%. The one year lending rate was increased to 6.6% from 6.3%. This is the fifth time in nine months that China has raised interest rates.
- Japan's current account surplus narrowed 51.7% from a year earlier to 590.7 billion yen (US\$ 7.3 billion).

Disclaimer

The data used here are from various published and electronically available primary and secondary sources. We have taken care to verify and cross-check the accuracy of such data. However, 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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