



Confederation of Indian Industry

# Economy Update

Weekly Newsletter

7-13 November 2011

## INDICATORS

### Inflation Rate for the week ending 29 Oct 2011

Categories	Weekly	Annual
Primary articles	-0.2	11.4
Fuel, power, light & lubricant	0.0	14.5

- The annual **inflation** in **primary articles** decreased to 11.4% for the week ended 29 October 2011, from 12.1% in the previous week.
- The annual **inflation** in **food articles** declined to 11.8% for the week ended 29 October 2011 from 12.2% in the previous week, while annual inflation in **Non-Food articles** remained nearly stabled at 6.4%.
- WPI** stood at 9.7% for the month of October 2011 as compared to 9.1% in the same period last year due to rise in the prices of manufactured products and fuel and power, while, prices of primary articles have declined due to dip in the prices of both food and non food articles.
- The **Index of Industrial Production (IIP)** grew by just 1.9% in September 2011 as compared to 6.1% in September 2010, slowest growth in last two years primarily due to sluggish manufacturing sector and contraction in mining output.
- Foreign Exchange Reserves** as on 4 November 2011 stood at US\$ 314.67 billion, down by US\$ 5.73 billion from the previous week.
- The **call money rates** as on 11 November 2011 traded in the range of 7.00 - 8.46%.
- At the **Treasury bills auctions** held during the week, the YTM for 91-day T-Bills stood at 8.85%.



Dear Reader,

The sharp decline in September industrial growth is a matter of concern, especially since it is reflected in both capital goods and consumer non-durables. This probably reflects the impact of RBI's steep interest rate hikes together with persistently high inflation which has squeezed consumer budgets. Inflation in

October continued to remain close to the double-digit level, making it unlikely that the RBI will be able to reduce interest rates any time soon. Given the fast deterioration in the global economic scenario, the RBI may have to consider some reversal in its interest rate hikes and not just a pause.

**Chandrajit Banerjee**

Director General, CII

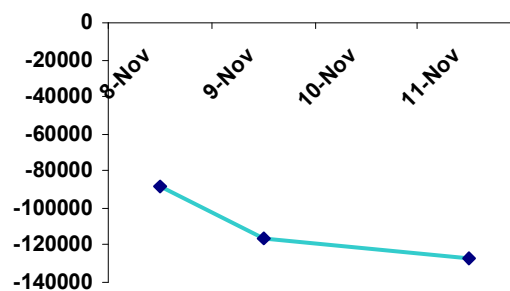
## IN THIS ISSUE

- Markets
- Policy Development
- Industry News
- Global News

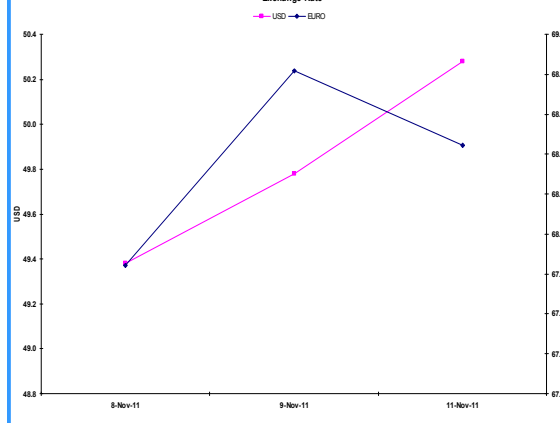
## POLICY DEVELOPMENT

- Real Estate Bill proposed to set up Real Estate Regulatory Authority in each state and a Real Estate Appellate Tribunal at the Centre.
- Road, Transport and Highways Ministry to award road projects on engineering, procurement and contract basis with a proposed defect liability period of 5 years.
- Hike in small saving schemes' interest rate; PPF annual investment limit hiked to Rs. 1 lakh with 8.6% interest, MIS and NSC maturity reduced to 5 years with 8.4%, introduced 10 years NSC, post office saving account rate raised to 4.0% while, Kishan Vikas Patra has been withdrawn.

Net Absorption through LAF (Rs Crore)



Exchange Rate



## BANKING INDICATORS

Indicators	Outstanding as on 28 October, 2011	% Variation over	
		Fortnight	Year
<b>Total Bank Credit</b>	<b>41,58,407</b>	<b>0.2</b>	<b>17.9</b>
<b>Food Credit</b>	<b>72,677</b>	<b>5.4</b>	<b>43.4</b>
<b>Non Food Credit</b>	<b>40,85,730</b>	<b>0.1</b>	<b>17.5</b>
<b>Aggregate Deposit</b>	<b>56,38,721</b>	<b>0.4</b>	<b>13.5</b>
<b>Broad Money (M3)</b>	<b>69,58,664</b>	<b>-0.1</b>	<b>14.4</b>
<b>Credit Deposit Ratio</b>	<b>73.7</b>		

Source: RBI

## EQUITY MARKETS

- Markets across the globe showed sign of rebound with the positive political developments in both Greece and Italy. Rise had been noticed in commodity stocks, credit spread tightened and yield on government bonds increased which together points at the improved risk appetite.
- Asian stocks performed better due to formation of new governments in Greece and Italy which are expected to contain the Europe's sovereign crisis and China's soft landing that has boosted market sentiments.
- Indian stock markets continued to be volatile on account of the subdued IIP growth. Plunge noticed in most sectors, auto, banks, metals, capital goods, oil and gas, health except FMCG and Infotech.
- Total turnover during the week on BSE stood at Rs 11,773 crore and on NSE at Rs 50,579 crore.

## COMMODITY MARKETS

- NYMEX **West Texas Intermediate Crude Oil** for November delivery stood at US\$ 99.0 per barrel on 11 November 2011, up by US\$ 4.7 per barrel from the previous week.
- New York **spot price for Gold** was US\$ 1,788.1 per ounce as on 11 November 2011, up by US\$ 32.3 per ounce from the previous week.

Global Stock Indices	Closing Value as on 11 November 2011	Weekly Change (%)
<b>NYSE: DJIA</b>	<b>11,893.8</b>	<b>-0.7</b>
<b>FTSE 100</b>	<b>5,545.4</b>	<b>0.3</b>
<b>Nikkei 225</b>	<b>8,514.5</b>	<b>-3.3</b>
<b>Straits Times</b>	<b>2,790.9</b>	<b>-2.0</b>
<b>KOSPI</b>	<b>1,863.5</b>	<b>-3.4</b>

Source: Yahoo Finance

Indian Equity Indices	Closing Value on 11 November 2011	Week's % Change
<b>BSE SENSEX</b>	<b>17,192.8</b>	<b>-1.7</b>
<b>BSE 500</b>	<b>6,585.9</b>	<b>-1.8</b>
<b>S&amp;P CNX NIFTY</b>	<b>5,221.1</b>	<b>-0.8</b>
<b>S&amp;P CNX 500</b>	<b>4,100.9</b>	<b>-1.9</b>

Source: NSE, BSE

### Net Institutional Activity

	Equity	Debt
<b>Weekly FII (US \$ Million)</b>	<b>246.4</b>	<b>122.9</b>
<b>Year -to-date FII (US\$ million)</b>	<b>789.0</b>	<b>4,666.9</b>
<b>Weekly Mutual Funds# (Rs Crore)</b>	<b>-23.7</b>	<b>-3,919.4</b>

Source:SEBI

#as on 11 Nov, 2011

Commodity Spot Indices	Closing Value as on 12 November 2011	Week's % Change
<b>MCX AGRI</b>	<b>3,196.7</b>	<b>-1.6</b>
<b>MCX METAL</b>	<b>4,761.9</b>	<b>0.2</b>
<b>MCX ENERGY</b>	<b>3,381.4</b>	<b>5.5</b>
<b>MCX COMDEX</b>	<b>3,730.9</b>	<b>1.7</b>

Source: MCX, NCDEX

## INDUSTRY NEWS

BSE Indices	Closing Value on 11 November 2011	Week's % Change
AUTO INDEX	9,138.1	-0.8
BANKEX	10,687.0	-4.9
BSE CAPITAL GOODS	10,611.0	-2.6
BSE CONSUMER DURABLE	6,388.1	-1.9
BSE FMCG	4,234.6	1.5
BSE HEALTHCARE	6,046.8	-1.5
BSE INFOTECH	5,744.1	0.2
BSE MID CAP	6,162.4	-1.4
BSE SMALL CAP	6,764.7	-2.4
BSE TECK INDEX	3,491.3	0.0
METAL INDEX	11,270.4	-3.3
OIL & GAS INDEX	8,910.6	-1.6

Source: BSE

### Energy

- National Aluminum Company Limited signed a joint venture with Nuclear Power Corporation of India Limited for setting up nuclear plants in India. Nalco-NPCIL JV will establish the 3rd and 4th unit of Kakrapar power plant in Gujarat, having capacity of 700 Mw each.

### Auto

- Car sales slashed by 23.8% to 1.38 lakh units in October 2011 as compared to 1.82 lakh units sold in the same period last year, sharpest dip in last 10 years as per SIAM. Despite festive season, sales failed to cheer up due to frequent rise in interest rates and fuel prices. Overall, vehicle sales have plunged by 1.1% to 14.42 lakh units from 14.57 lakh units in October 2010.

### Agriculture

- Union government may grant agriculture status to seafood industry, including aquaculture to promote growth with this, the industry can access loans and power at discounted rates among other benefits.
- Small and medium coffee growers have urged Union government to waive off interest worth Rs. 160 crore as plantations are suffering huge losses due to high input cost, labour cost, labour and water shortage.

### Tourism

- The Tourism Ministry is planning to set up 30-40 tourism parks across the country with the objective of doubling inbound foreign tourists from about 5 million now to 10 million over the next five years.

CNX Segment Indices	Closing Value on 11 November 2011	Week's % Change
CNX NIFTY Junior	9,875.9	-3.0
CNX MIDCAP	7,239.8	-1.1
BANK NIFTY	9,292.6	-5.5
CNX IT	6,274.0	1.2
CNX Realty	262.2	-0.1
CNX Infrastructure	2,691.8	-0.3

Source: NSE

## GLOBAL NEWS

### USA

In the week ending 4 November, the initial claims for state unemployment benefits plunged by 10,000 to a seasonally adjusted 390,000.

### Europe

- European Commission has slashed 2012-13 growth forecast for the Euro zone to 0.5% from its earlier estimate of 1.8% owing to slower than expected growth in the core economies of the region. Germany is expected to grow only by 0.8% and France by 0.6% from 1.9% and 2.0% respectively
- To contain the debt crisis, Italy senate has passed the austerity measure to foster growth, slashing debt and to gain investors' confidence. As a result of these measure borrowing cost on 10 year Italian government bonds has declined after crossing 7.0% threshold limit on 8 November 2011 to reach 6.7%. Its debt of US\$ 2.6 trillion stands at 120% of

its GDP. Italy turmoil has also raised doubt about the very presence of euro zone.

### Australia

- Australia's parliament has passed the carbon tax legislation. According to the legislation the top 500 polluting companies will have to pay A\$24 per tonne for carbon emissions from July 1, 2012. Australia is expecting to cut down its carbon emissions by 160 million tonnes in 2020 and further to 80.0% reduction over the 2000 levels by 2050.

### Asia

- Japan's current account surplus fell for the seventh-straight month in September 2011, by 21.4% on year on year basis to US\$ 20.4 billion due to rise in imports, weakening of demand from Asia and Europe and widening of services trade deficit.

#### 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**.  
Reach us at: [ecopolicy@cii.in](mailto:ecopolicy@cii.in)



**Confederation of Indian Industry**

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](mailto:ecopolicy@cii.in) • Website: [www.cii.in](http://www.cii.in)