



Confederation of Indian Industry
Since 1895

Economy Update

Weekly Newsletter

25 –31 October 2010

INDICATORS

Inflation Rate for the week ending 16 October 2010

Categories	Weekly	Annual
Primary articles	-0.44	16.62
Fuel, power, light & lubricant	0.41	11.25

- Annual **WPI inflation rate for primary articles** for the week ending 16 October 2010 stood at 16.62% as compared to previous week's level of 18.54%.
- The annual **inflation** in food articles decreased to 13.75% for the week ended 16 October 2010, from 16.37% for the previous week.
- The **index of six core industries** stood at 2.5% in September 2010 as compared to 4.3% registered in September 2009.
- India's **exports** registered a growth of 23.2% in September 2010, at US\$ 18.02 billion, while **imports** were at US\$ 27.1 billion with a growth of 26..
- **Foreign Exchange Reserves** as on 22 October 2010 stood at US \$295.4 billion, down by US\$ 0.4 billion over previous week.
- **FDI in services sector** almost halved to 1.26 billion in the first five months of the current fiscal.
- The **call money rates** as on 29 October 2010 traded in the range of 4.75 – 8.3 percent.
- At the **Treasury bills auctions** held during the week, the YTM for 91-day T-Bills stood at 6.9%.



Dear Reader,

Opinion is divided on whether the RBI will raise policy rates in tomorrow's second quarter monetary policy review. The industrial production data has been mixed with indications of a slowdown in core sector growth rates. Inflation, on the other hand, has moderated with food inflation showing signs of a dip. This presents a strong case for a pause by the RBI. Globally central banks are expected to further ease monetary policy, given that the economic recovery in developed countries has been subdued. An increase in domestic interest rates at this point should be avoided.

Chandrajit Banerjee

Director General, CII

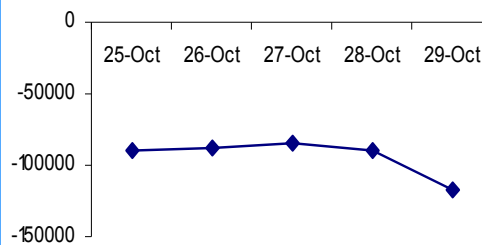
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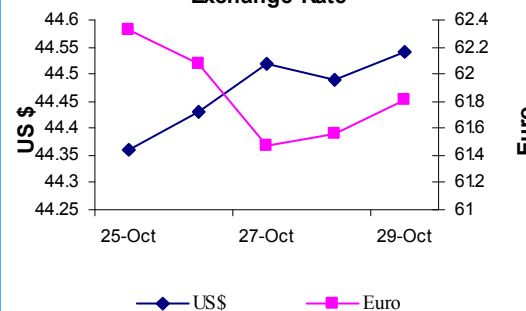
POLICY UPDATE

- The government has no plans so far to put any cap on flow of funds from foreign institutional investors, which have pumped in nearly \$25 billion so far this year.
- RBI is extending the special liquidity measures unveiled last week upto 4 November, to help banks tide over a temporary cash crunch.
- The finance ministry has suggested that states which have continued to have high level of cash balances parked in treasury bills, initiate steps to lower these, as these are "fiscally not very prudent".
- A RBI appointed sub-committee will examine recovery mechanism of microfinance institutions and their interest rate practices.

Net Absorption through LAF (Rs Crore)



Exchange Rate



BANKING INDICATORS

Indicators	Outstanding as on 8 October 2010	% Variation over	
		Fortnight	Year
Total Bank Credit	34,68,999	1.4	20.1
Food Credit	49,754	-1.0	16.5
Non Food Credit	34,19,245	1.4	20.1
Aggregate Deposit	47,88,309	1.7	15.0
Broad Money (M3)	59,62,123	1.5	15.2
Credit Deposit Ratio	72.4		

Source: RBI

EQUITY MARKETS

- US market closed mixed with the major equity averages closing near the neutral line.
- Asian equity markets were in red as speculation over the size, scope and timing of US quantitative easing took a back seat to a spate of disappointing fundamentals and mixed set of earnings. Japan's manufacturing sentiment was also weak, while inflation remained in the red despite the BOJ's efforts to speed up the pace of recovery by pumping in liquidity.
- Indian markets on Friday opened weak but saw recovery in last hours of trade lead by buying in heavy stock like ICICI Bank, ITC & Maruti.
- Total turnover during the week on BSE stood at Rs 26,910 crore and at NSE Rs 87,808 crore.

COMMODITY MARKETS

- NYMEX **light sweet Crude Oil** for December delivery closed at US \$ 82.2 per barrel on 29 October 2010, up by \$0.88 per barrel over the previous week.
- New York **spot price for Gold** was US \$ 1346.75 per ounce as on 29 October 2010, up by US \$ 24.2 per ounce over the week.

Global Stock Indices	Closing Value as on 29 October 2010	Weekly Change (%)
NYSE: DJIA	11,118.5	-0.1
FTSE 100	5,675.2	-1.2
Nikkei 225	9,202.5	-2.4
Straits Times	3,142.6	-1.0
KOSPI	1,882.9	-0.8

Source: Yahoo Finance

Indian Equity Indices	Closing Value on 29 October 2010	Week's % Change
BSE SENSEX	20,032.3	-0.7
BSE 500	8,036.9	-1.0
S&P CNX NIFTY	6,017.7	-0.8
S&P CNX 500	4,973.0	-0.9

Source: NSE, BSE

Net Institutional Activity

	Equity	Debt
Weekly FII (US \$ Million)	620.6	-669.5
Year -to-date FII (US\$ million)	24,794.5	9,184.6
Weekly Mutual Funds# (Rs Crore)	-705.3	1,563.8

Source: SEBI

*as on 28 October 2010

Commodity Spot Indices	Closing Value as on 30 October 2010	Week's % Change
MCX AGRI	2,544.4	0.4
MCX METAL	3,745.7	0.9
MCX ENERGY	2,580.3	2.9
MCX COMDEX	2,910.1	1.5

Source: MCX, NCDEX

GLOBAL NEWS

USA

- The US real GDP increased at an annual rate of 2.0% in the third quarter of 2010 (i.e. from the second quarter to the third quarter) as compared to 1.7% in the second quarter.
- In the week ending October 23, the advance figure for seasonally adjusted initial claims was 434,000, a decrease of 21,000 from the previous week's revised figure of 458,750.

Europe

- The Euro Area seasonally adjusted unemployment rate was 10.1% in September 2010, compared with 10.0% in August 2010 and 9.8% in September 2009.
- In the second quarter of 2010 household saving rate fell to 14.3% in the Euro Area and 12.1% in the EU 27.

- In August 2010 compared with July 2010, the Euro Area industrial new orders index rose 5.3%.

Asia

- Japan's industrial production slipped for the fourth straight month, plummeting 1.9% in September after contracting 0.5% in August.
- China's manufacturing expanded at the fastest pace in six months in October. The purchasing manager's index released by the logistics federation rose to 54.7 from 53.8 in September, with input prices climbing the most in six months.
- South Korea's exports increased 29.9% in October from a year earlier, after gaining a revised 16.5% in September, while consumer prices grew at the fastest pace in 20 months to 4.1% in October.

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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