



Confederation of Indian Industry  
Since 1895

# Economy Update

Weekly Newsletter

8-14 November 2010

## INDICATORS

### Inflation Rate for the week ending 30 October 2010

Categories	Weekly	Annual
Primary articles	0.28	14.87
Fuel, power, light & lubricant	0.00	10.67

- Annual **WPI inflation rate for primary articles** for the week ending 30 October 2010 stood at 14.87% as compared to previous week's level of 15.43%.
- The annual **inflation** in food articles decreased to 12.30% for the week ended 30 October 2010, from 12.85% for the previous week.
- **Index of Industrial Production** for the month of September 2010, stood at 4.4% as compared to 8.2% in the corresponding period of 2009 due to contraction of capital goods sector to 4.2%.
- **Foreign Exchange Reserves** as on 5 November 2010 stood at US \$ 300.2 billion, up by US\$ 2.2 billion over previous week.
- The **call money rates** as on 4 October 2010 traded in the range of 4.5 – 7.2 percent.
- At the **Treasury bills auctions** held during the week, the YTM for 91-day T-Bills stood at 6.9%.
- One year **LIBOR** for US\$ as on 10 November 2010 stood at 0.76%.



**Dear Reader,**

Although the moderation in September industrial growth is disappointing we expect this to be a temporary dip on account of capacity constraints being faced by some sectors. Industrial growth is likely to pick up once new capacities come into operation. Business sentiment continues to be positive and consumer demand is likely to pick up as food inflation moderates and rural incomes rise on the back of a good agricultural season. We continue to expect GDP to grow at over 8.5% in the current year.

**Chandrajit Banerjee**  
Director General, CII

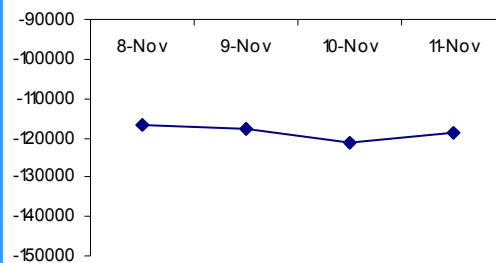
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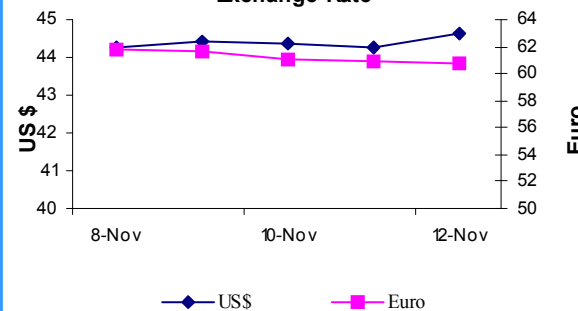
## POLICY UPDATE

- New mining policy aims to keep 26% of profits for project displaced people.
- The RBI announced that Scheduled commercial banks may avail of additional liquidity support under the LAF to the extent of up to 1.0% of their net demand and time liabilities.
- The government has decided to disinvest part of its shareholding in the following CPSEs– Steel Authority of India Ltd, Hindustan Copper, Manganese Ore India Ltd and Shipping Corporation of India.
- The RBI did not intervene in the foreign exchange market in September, continuing its hand off approach since December.
- The Government is likely to free sugar exports soon and also permit 2 million tonnes under Open General Licence.

Net Absorption through LAF (Rs Crore)



Exchange Rate



## BANKING INDICATORS

Indicators	Outstanding as on 22 October 2010	% Variation over	
		Fortnight	Year
Total Bank Credit	34,76,133	0.2	21.2
Food Credit	47,215	-5.1	31.1
Non Food Credit	34,28,918	0.3	21.1
Aggregate Deposit	48,75,254	1.8	17.3
Broad Money (M3)	55,99,762	1.8	17.1
Credit Deposit Ratio	62.1		

Source: RBI

## EQUITY MARKETS

- US equity markets are making new lows as risk aversion continues to be the order of the day. Asian markets traded down after Chinese data showed inflation at two year high, raising fears that more policy tightening would be on tap in Beijing.
- European markets were in a negative territory on increased risk aversion as Irish debt woes continue to concern investors following rumors of a bailout from the IMF.
- The Indian market witnessed a decline on the back off sell off across the globe as well as disappointing IIP data. All the major sectoral indices ended in red, Reality and Metal counters being the worst hit.
- Total turnover during the week on BSE stood at Rs 24,484 crore and at NSE Rs 74,081 crore.

## COMMODITY MARKETS

- NYMEX **light sweet Crude Oil** for December delivery closed at US \$ 84.9 per barrel on 12 November 2010, down by \$ 2.0 per barrel over the previous week.
- New York **spot price for Gold** was US \$ 1398.5 per ounce as on 11 November 2010, up by US \$ 17.5 per ounce over the week.

Global Stock Indices	Closing Value as on 12 November 2010	Weekly Change (%)
<b>NYSE: DJIA</b>	<b>11,192.6</b>	<b>-2.2</b>
<b>FTSE 100</b>	<b>5,796.9</b>	<b>-1.3</b>
<b>Nikkei 225</b>	<b>9,724.8</b>	<b>1.0</b>
<b>Straits Times</b>	<b>3,252.0</b>	<b>0.4</b>
<b>KOSPI</b>	<b>1,913.1</b>	<b>-1.3</b>

Source: Yahoo Finance

Indian Equity Indices	Closing Value on 12 November 2010	Week's % Change
<b>BSE SENSEX</b>	<b>20,156.9</b>	<b>-4.0</b>
<b>BSE 500</b>	<b>8,111.0</b>	<b>-3.5</b>
<b>S&amp;P CNX NIFTY</b>	<b>6,071.7</b>	<b>-3.6</b>
<b>S&amp;P CNX 500</b>	<b>5,197.1</b>	<b>4.5</b>

Source: NSE, BSE

### Net Institutional Activity

	Equity	Debt
<b>Weekly FII (US \$ Million)</b>	<b>1,931.7</b>	<b>676.7</b>
<b>Year -to-date FII (US\$ million)</b>	<b>28,686.2</b>	<b>10,258.9</b>
<b>Weekly Mutual Funds# (Rs Crore)</b>	<b>-871.6</b>	<b>3097.2</b>

Source:SEBI

\*as on 10 November 2010

Commodity Spot Indices	Closing Value as on 12 November 2010	Week's % Change
<b>MCX AGRI</b>	<b>2,689.9</b>	<b>2.5</b>
<b>MCX METAL</b>	<b>4,003.8</b>	<b>4.7</b>
<b>MCX ENERGY</b>	<b>2,746.7</b>	<b>2.2</b>
<b>MCX COMDEX</b>	<b>3,100.5</b>	<b>3.4</b>

Source: MCX, NCDEX

## GLOBAL NEWS

### USA

- In the week ending November 6, the advanced figures for seasonally adjusted initial claims was 435,000, a decrease of 24,000 from the previous week's revised figure of 459,000.
- The US Federal Reserve began a second round of QE by buying \$ 7.229 billion of Treasuries in an attempt to drive down borrowing rates.
- US consumer confidence index rose to 69.3, the first rise in three months.
- U.S import prices rose 0.9% in October, after edging down 0.1% in September. Higher fuel and non-fuel prices contributed to the increase in October. Export prices advanced for the third consecutive month in October, rising 0.8%.

### Europe

- GDP in Euro area and EU 27 for the third quarter slowed down to 0.4% as compared to the second

quarter, when it increased by 1%.

- In September 2010 compared with August 2010, seasonally adjusted industrial production fell by 0.9% in the euro area and by 0.5% in the EU 27.
- Volume of retail trade declined by 0.2% in the Euro Area.

### Asia

- China's inflation rate jumped to a two year high, standing at 4.4%, mostly because of a 10.1% increase in food prices, which was far above the official target of 3.0% and a sharp jump from September's 3.6%.
- Hong Kong expands at 6.8% in third quarter, beating analysts estimates.
- Russia's GDP for the third quarter grew at 2.7% from a year earlier after expanding 5.2% in the three months through June.

### 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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