



Confederation of Indian Industry
Since 1895

Economy Update

■ Weekly Newsletter

■ 11-18 October 2010

INDICATORS

Inflation Rate for the week ending 2 October 2010

Categories	Weekly	Annual
Primary articles	0.66	18.54
Fuel, power, light & lubricant	0.07	11.14

- Annual **WPI inflation rate for primary articles** for the week ending 2 October 2010 stood at 18.54% as compared to previous week's level of 18.53%.
- The annual **inflation** in food articles increased to 16.37% for the week ended 2 October 2010, from 16.24% for the previous week.
- Annual **WPI inflation** for the month of September 2010 stood at 8.6%.
- **IIP** for the month of August plummeted to 5.6%, the lowest since May 2009.
- **Foreign Exchange Reserves** as on 8 October 2010 stood at US \$295.8 billion, up by US\$ 1.6 billion over previous week
- India's **indirect tax** collection for the first six months (Apr-September 2010) registered a 44.4% increase.
- The **call money rates** as on 1 October 2010 traded in the range of 4.8 – 6.5 percent.
- At the **Treasury bills auctions** held during the week, the YTM for 91-day T-Bills stood at 6.6%.



Dear Reader,

Economic data released this week was disappointing. While August industrial growth fell sharply, September inflation did not moderate as expected. Inflation in primary articles after moderating for the last three months spiked up again in September. CII's Business Outlook Survey also showed some moderation in business confidence for the current quarter, the key concerns being rising inflation and slackening demand. The RBI will find it hard to again raise interest rates when it meets for its second quarter review in early November. CII would strongly recommend a pause.

Chandrajit Banerjee
Director General, CII

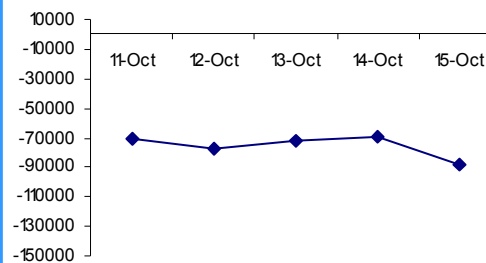
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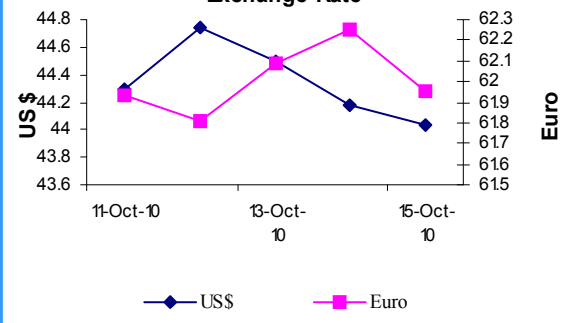
POLICY UPDATE

- Minister of State for Agriculture and Food said that India will add 17 lakh metric tons of food storage capacity within a period of five years.
- Energy explorers will get tax incentives based on their investments in the ninth round of auctions for oil and gas exploration blocks, replacing the existing regime of seven-year tax holiday on profit.
- India will align its copyright regulations with international norms to curb rising piracy and violations of intellectual property rights.
- RBI announced the constitution of a sub-committee to look into the functioning of Micro Finance Institutions (MFIs), as they have drawn flak for using strong arm tactics to recover loans.

Net Absorption through LAF (Rs Crore)



Exchange Rate



BANKING INDICATORS

Indicators	Outstanding as on 24 September 2010	% Variation over	
		Fortnight	Year
Total Bank Credit	34,22,291	1.2	19.0
Food Credit	50,232	-1.7	18.4
Non Food Credit	33,72,059	1.2	19.1
Aggregate Deposit	47,07,293	0.4	14.3
Broad Money (M3)	58,72,194	0.1	14.7
Credit Deposit Ratio	72.7		

Source: RBI

EQUITY MARKETS

- Concerns about significant banking losses from stalled foreclosures sent the Dow down 31 points to close at 11,062 while Nasdaq soared 33 points to 2,468 over the impressive Google earnings.
- European shares continued to trade flat ahead of Bernake's speech as traders turn cautious and take in profits. Investors will be looking for indications on further QE on the economy as the next FOMC meetings near.
- Indian markets continued its negative momentum and ended in deep red as continued profit-booking at selective counters, coupled with a weak to mixed trend in other Asian stock markets has weighted on investors sentiments. All the major sectoral indices ended in red, Technology and Auto being the worst hit
- Total turnover during the week on BSE stood at Rs 28,800 crore and at NSE Rs 84,264 crore.

COMMODITY MARKETS

- NYMEX **light sweet Crude Oil** for October delivery closed at US \$ 81.3 per barrel on 15 October 2010, down by \$1.45 per barrel over the previous week.
- New York **spot price for Gold** was US \$ 1367.5 per ounce as on 15 October 2010, up by US \$ 26.0 per ounce over the week.

Global Stock Indices	Closing Value as on 15 October 2010	Weekly Change (%)
NYSE: DJIA	11,062.8	0.5
FTSE 100	5,703.37	0.8
Nikkei 225	9,500.3	-0.9
Straits Times	3,204.3	1.6
KOSPI	1,902.3	0.3

Source: Yahoo Finance

Indian Equity Indices	Closing Value on 15 October 2010	Week's % Change
BSE SENSEX	20,125.1	-0.6
BSE 500	8,086.4	-0.7
S&P CNX NIFTY	6,062.7	-0.7
S&P CNX 500	4,998.7	-1.5

Source: NSE, BSE

Net Institutional Activity

	Equity	Debt
Weekly FII (US \$ Million)	1,941.1	-135.7
Year -to-date FII (US\$ million)	23,362.5	10,363.6
Weekly Mutual Funds# (Rs Crore)	-1,348.4	3,240.6

Source:SEBI

*as on 14 October 2010

Commodity Spot Indices	Closing Value as on 16 October 2010	Week's % Change
MCX AGRI	2,479.4	3.0
MCX METAL	3,784.2	4.5
MCX ENERGY	2,553.8	1.1
MCX COMDEX	2,902.2	3.1

Source: MCX, NCDEX

GLOBAL NEWS

USA

- In the week ending October 9, the advance figure for seasonally adjusted initial claims was 462,000, an increase of 13,000 from the previous week's revised figure of 456,750.
- US unemployment rate remained flat at 9.6% in September.
- The budget deficit for fiscal 2010 narrowed to \$1.294 trillion from last year's record \$1.416 trillion as tax collections started to recover and bailout spending fell sharply
- US consumer Price Index for all urban consumers increased 0.1% in September.
- Three more U.S. banks were closed by regulators on Friday, bringing to 132 the total number of banks to fail so far this year

Europe

- The Bank of England will expand its stimulus program by \$160 billion to aid economic recovery.
- Euro area inflation increased to 1.8% in September up from 1.6% in August 2010.
- In August 2010 euro area external trade deficit with the rest of the world stood at 4.3 billion euro deficit as compared to -2.8 billion euro in August 2009.

Asia

- Singapore's non-oil exports slowed down in September to 22.7% from a year earlier as shipments of electronics and pharmaceuticals eased, heralding softening demand in the coming months as the global economy weakens.
- Japan's demand for services as measured by the tertiary index fell for the first time in three months by 0.2% in August as recovery loses momentum due to yen rise.

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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