



Confederation of Indian Industry
Since 1895

Economy Update

■ Weekly Newsletter

■ 2 October 2010

INDICATORS

- Annual **WPI inflation rate for primary articles** for the week ending 18 September 2010 stood at 18.31% as compared to previous week's level of 16.8%.
- The annual **inflation** in food articles increased by 16.4% for the week ended 18 September 2010, from 15.7% for the previous week.
- **Foreign Exchange Reserves** as on 24 September 2010 stood at US \$291.6 billion, up by US\$ 3.9 billion over the previous week.
- The **call money rates** as on 1 October 2010 traded in the range of 4.5 – 7.4 percent.
- At the **Treasury bills auctions** held during the week, the YTM for 91-day T-Bills stood at 6.3%.
- India's current account deficit for Q1 2010-11 stood at US\$ 13.7 billion as compared to a deficit of US \$ 4.5 billion in the same period last year. Capital account on the other hand showed a surplus of US\$ 17.5 billion as compared to a surplus of US\$ 4.6 billion last year.
- India's external debt, as at end June 2010 was placed at US\$ 273.1 billion recording an increase of US\$ 10.8 billion or 4.1% over the level at end March 2010 on account of increase in short term trade credits, commercial borrowings and multilateral government borrowings.
- The **index of Six core industries** stood at 262.9 in August 2010, registering a growth of 3.7% compared to 6.4% in August 2009.



Dear Reader,

The balance of payments data for the first quarter of 2010-11 shows a fairly large increase in the current account deficit as both exports and imports have grown at a rapid pace. In fact, the faster pace of the domestic recovery compared to the global one will continue to imply a widening deficit. Capital inflows are currently more than adequate to fund these inflows but higher dependence on short-term flows is a concern. The recent step up in FII inflows is also putting pressure on the currency to appreciate, making goods and services produced in India uncompetitive.

Chandrajit Banerjee
Director General, CII

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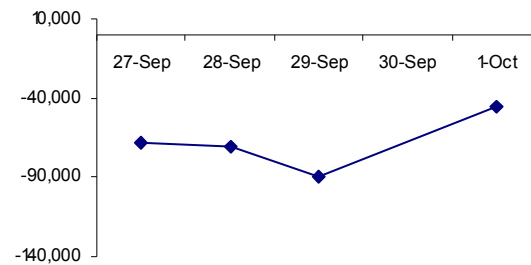
POLICY UPDATE

- The Government eased the foreign direct investment norms for sectors like wholesale cash- and -carry trading, non-banking finance companies (NBFCs) and certain segments of animal husbandry, besides bringing about procedural simplifications.
- The Government is likely to gradually liberalize foreign direct investment norms for Limited Liability Partnerships (LLPs).
- The Centre will bring down levy obligation on the sugar industry from 20% to 10% from October.
- The state run Power Finance Corporation (PFC) will issue infrastructure bonds worth Rs 1,000 crore by December end.

Inflation Rate for the week ending 18 September 2010

Categories	Weekly	Annual
Primary articles	1.23	18.31
Fuel, power, light & lu- bricant	0.0	10.73

Net Absorption through LAF (Rs Crore)



BANKING INDICATORS

Indicators	Outstanding as on 10 September 2010	% Variation over	
		Fortnight	Year
Total Bank Credit	33,82,928	0.9	19.8
Food Credit	51,118	8.1	7.0
Non Food Credit	33,31,810	0.8	19.9
Aggregate Deposit	46,90,703	0.4	14.8
Broad Money (M3)	58,30,510	0.6	13.0
Credit Deposit Ratio	71.0		

Source: RBI

EQUITY MARKETS

- The US market closed higher on the back of modest economic data. Personal Income and Spending during August remained strong, also core personal consumption expenditures increased.
- European shares traded choppily during the session opening higher sustained by encouraging Chinese PMI data.
- Indian markets closed at a strong note at the end of the week. All the major sectoral indices ended on a strong note Reality and Metal counters being the strongest gainers. The Sensex closed at 20,445 up 375 points and Nifty was at 6,143 up 152 points.
- Total turnover during the week on BSE stood at Rs 24,802 crore and at NSE Rs 82,072 crore.

COMMODITY MARKETS

- NYMEX light sweet Crude Oil for October delivery closed at US \$ 81.6 per barrel on 1 October 2010, up by \$5.1 per barrel over the previous week.
- New York spot price for **Gold** was US \$ 1307.0 per ounce as on 1 October 2010, up by US \$ 16.3 per ounce over the week.

Global Stock Indices	Closing Value as on 1 October 2010	Weekly Change (%)
NYSE: DJIA	10,829.7	-0.3
FTSE 100	5,592.9	-0.1
Nikkei 225	9,404.23	-0.7
Straits Times	3,130.9	1.2
KOSPI	1,876.7	1.6

Source: Yahoo Finance

Indian Equity Indices	Closing Value on 1 October 2010	Week's % Change
BSE SENSEX	20,445.04	2.0
BSE 500	8,135.23	1.8
S&P CNX NIFTY	6,143.4	2.1
S&P CNX 500	5,018.8	1.7

Source: NSE, BSE

Net Institutional Activity

	Equity	Debt
Weekly FII (US \$ Million)	1,841.2	-105.7
Year -to-date FII (US\$ million)	19,432.3	9,817.2
Weekly Mutual Funds# (Rs Crore)	-2,517.7	3,868.3

Source: SEBI

*as on 30 September 2010

Commodity Spot Indices	Closing Value as on 1 October 2010	Week's % Change
MCX AGRI	2,386.0	-0.2
MCX METAL	3,620.0	0.4
MCX ENERGY	2,537.0	4.4
MCX COMDEX	2,815.0	1.6

Source: MCX, NCDEX

GLOBAL NEWS

USA

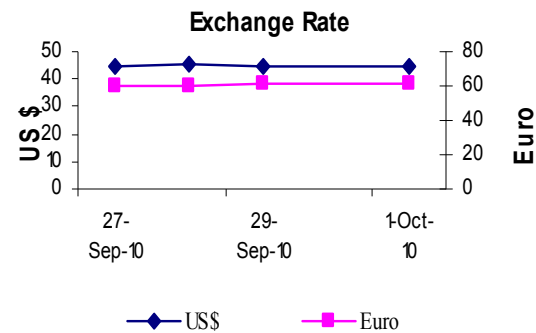
- In the week ending September 25, the advance figure for seasonally adjusted initial claims was 453,000, a decrease of 16,000 from the previous week's revised figure of 469,000.
- US consumer spending rose 0.4% in August beating the predicted 0.3%. This marked the second straight month where spending rose.
- US personal income rose 0.5%, or \$ 59.3 billion in August from, up from 0.2% increase in July.
- The ISM index of national factory activity slipped to 54.4 in September from 56.3 in August, showing slowdown in manufacturing growth.

Euro Region

- Euro area registered a stable unemployment growth of 10.1% in August 2010 as compared to 9.7 in the corresponding period last year.
- Euro area inflation for September 2010 was estimated at 1.8%

Asia

- China's Purchasing Manufacturer's Index (PMI) rose more than expected to 53.8% in September, up 2.1% points from August .



- Japan's wages remained stagnant in August at \$3,288 from a year earlier. This is the first time in six months that wages remained stagnant, adding to concern that the country's consumers wont be able to drive growth

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.



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