



Confederation of Indian Industry
Since 1895

Economy Update

Weekly Newsletter

25 September 2010

INDICATORS

- Annual **WPI inflation rate for primary articles** for the week ending 11 September 2010 stood at 16.8% as compared to previous week's level of 16.2%.
- The annual **inflation** in food articles increased by 15.7% for the week ended 11 September 2010, from 15.1% for the previous week.
- **Foreign Exchange Reserves** as on 15 September 2010 stood at US \$287.7 billion, up by US\$ 3.2 billion over the previous week.
- The **call money rates** as on 24 September 2010 traded in the range of 4.0 – 6.3 percent.
- At the **Treasury bills auctions** held during the week, the YTM for 91-day T-Bills stood at 6.2%.
- Foreign Institutional investors (FIIs) have pumped in \$4.4 billion in the Indian equity market in September
- All India **rainfall** during the week 16 –22 September was 44% above long period average (LPA). Cumulative rainfall so far during this year's monsoon upto 22 September has been 4% above LPA.
- The Total **food-grain production** is likely to be 114.6MT as compared to 103.8 MT in 2009-10 kharif, registering a growth of 10.4%. It represents an increase of about 11 MT over the last estimate.



Dear Reader,

The first estimates of crop production for this year's kharif season have just come in and they show strong growth across all crops, including rice, coarse cereals, pulses and

oilseeds. Production of foodgrains is estimated to increase by 10.4% this year while oilseed production is expected to increase by 10.3%. Kharif acreage is reported to have crossed 1,000 hectares and stands higher than in 2008 which was a record year for agricultural production with agricultural growth reaching 4.7%. If indeed agricultural growth turns out to be as strong as in 2007-08, GDP growth will exceed our estimate of 8.5%.

Chandrajit Banerjee

IN THIS ISSUE

- Markets
- Policy Update
- Global News

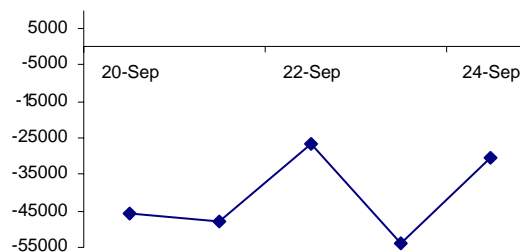
POLICY UPDATE

- Limits of investment by Foreign Institutional Investors (FIIs) in the debt market was raised by \$ 5 billion each in government and corporate bonds.
- The Reserve Bank of India may soon allow micro-finance institutions (MFIs) to set up banks.
- The scope of wealth tax will be extended to productive assets like equity or preference shares held by an Indian company in its overseas subsidiary and interest in foreign trusts or any other body located outside the country by residents.
- The government will launch the ninth round of the New Exploration Licensing Policy (NELP IX), which will see an auction of around 35 oil and gas blocks on 18 October 2010.

Inflation Rate for the week ending 11th September '10

Categories	Weekly	Annual
Primary articles	0.17	16.8
Fuel, power, light & lubricant	0.0	11.48

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

- Risk appetite was bolstered in the US markets by a five month high rate of growth in core durable goods orders, widely perceived to be a leading indicator for the US manufacturing sector that saw two consecutive months of m/m contraction.
- Asian equity markets are in the green across the board, shrugging renewed property sector concerns in China and slowing export growth in Japan.
- Indian markets remained firm in the week ending 24 September, with Sensex and Nifty rising 2.3% over the previous week. Buying was seen in FMCG, Realty and Auto.
- Total turnover during the week on BSE stood at Rs 25,487 crore and at NSE Rs 82,627 crore.

COMMODITY MARKETS

- NYMEX light sweet Crude Oil for November delivery closed at US \$ 76.5 per barrel on 24 September 2010, up by \$2.8 per barrel over the previous week.
- New York spot price for **Gold** was US \$ 1297.0 per ounce as on 24 September 2010, up by US \$ 23 per ounce over the week.

Global Stock Indices	Closing Value as on 24 September 2010	Weekly Change (%)
NYSE: DJIA	10,860.3	2.4
FTSE 100	5,598.5	0.8
Nikkei 225	9,471.7	-1.6
Straits Times	3,092.7	0.5
KOSPI	1,846.6	1.1

Source: Yahoo Finance

Indian Equity Indices	Closing Value on 24 September 2010	Week's % Change
BSE SENSEX	20,045.2	2.3
BSE 500	7,991.2	1.4
S&P CNX NIFTY	6,018.3	2.3
S&P CNX 500	4,934.2	1.2

Source: NSE, BSE

Net Institutional Activity

	Equity	Debt
Weekly FII (US \$ Million)	1,967.9	763.1
Year -to-date FII (US\$ million)	17,591.1	9,922.9
Weekly Mutual Funds# (Rs Crore)	-1,478.7	3,310.3

Source: SEBI

*as on 24 September 2010

Commodity Spot Indices	Closing Value as on 25 September 2010	Week's % Change
MCX AGRI	2,391.4	1.8
MCX METAL	3,606.4	0.7
MCX ENERGY	2,429.9	-3.5
MCX COMDEX	2,769.8	0.1

Source: MCX, NCDEX

GLOBAL NEWS

USA

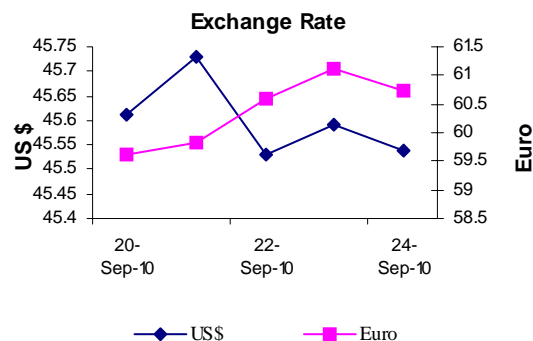
- US initial jobless claims rose 12,000 to 465,000, economists had expected new claims to remain flat after they fell to a two month low the week before.
- US durable goods orders fell 1.3% in August, following decline by 0.7% in July. Analysts were expecting to see a decline by 1.4%
- US home prices dropped 3.3% in July after a year earlier, the eighth consecutive decline, as foreclosed properties flooded the market.

Euro Region

- Industrial new orders for the month of July 2010 fell by 2.4% in the euro area.

Asia

- Chinese industrial companies' profits climbed 55% in the first eight months of 2010 from a year earlier, bolstering investment as the government pares back stimulus.
- Japan is considering compiling a stimulus package totaling as much as 4.6 trillion yen(\$ 54.6 billion) that will be funded with existing revenue.



- Japan's export grew at the slowest pace of 15.8% in August due to decrease in global demand and the advance in the yen

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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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 • Website: www.cii.in