



Confederation of Indian Industry  
Since 1895

# Economy Update

Weekly Newsletter

4-10 October 2010

## INDICATORS

### Inflation Rate for the week ending 25 September 2010

Categories	Weekly	Annual
Primary articles	0.06	18.53
Fuel, power, light & lubricant	0.0	10.73

- Annual **WPI inflation rate for primary articles** for the week ending 25 September 2010 stood at 18.53% as compared to previous week's level of 18.31%.
- The annual **inflation** in food articles decreased by 16.24% for the week ended 25 September 2010, from 16.4% for the previous week.
- **Foreign Exchange Reserves** as on 1 October 2010 stood at US \$294.2 billion, up by US\$ 2.6 billion over the previous week.
- **Foreign Direct Investment** in the country's services sector almost halved to \$1.08 billion in April-July 2010 as compared to \$2.14 billion in April-July 2009-10.
- The **call money rates** as on 1 October 2010 traded in the range of 4. – 6.15 percent.
- At the **Treasury bills auctions** held during the week, the YTM for 91-day T-Bills stood at 6.4%.



Dear Reader,

In the IMF's World Economic Outlook for October 2010, global economic growth is estimated to remain stable and projected at 4.8% and 4.2% for 2010 and 2011 respectively. However, this masks a temporary slowdown in activity in the second half of 2010 especially in advanced economies where growth expected to slow from an estimated 3.5% in the first half to 1.75% in the second. Developing countries such as India will therefore need to be prepared for slower external demand.

**Chandrajit Banerjee**  
Director General, CII

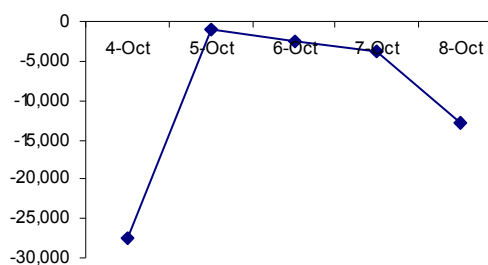
## IN THIS ISSUE

- Markets
- Policy Update
- Global News

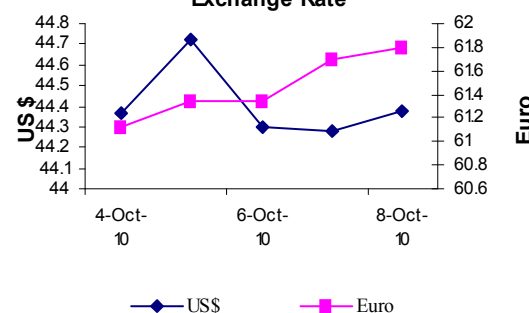
## POLICY UPDATE

- The government is taking steps to reduce service tax burden on lottery sellers and distributions, giving a fillip to the Rs 50,000 crore industry.
- The revised legislation for mining has proposed a slew of concessions to those affected, directly or indirectly, by mining activities.
- Support prices of pulses to be hiked again. MSP could be increased by Rs420 per quintal
- SEBI said that the dividends declared during the tenure of the stock lending and borrowing (SLB) mechanism will be recovered from the borrower on the record date and passed on to the lender of security.
- The government has assured that entire interest income on PF to be tax-exempt, hence ending the speculation of taxing an income that had so far been exempt.

Net Absorption through LAF (Rs Crore)



Exchange Rate



## BANKING INDICATORS

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

*Source: RBI*

## EQUITY MARKETS

- Major indices posted a broad based rally as the Fed hinted at more quantitative easing, sending the Dow above 11,000 for the first time since May. The prospect of further easing sent the dollar lower, commodities higher and helped the market shrug off a much worse than expected employment report.
- European shares continued to drift lower ahead of US payrolls which could indicate more QE will be introduced.
- Indian markets closed at a weaker note at the end of the week. All the major sectoral indices ended on a flat note, Auto and Metal counters being the worst hit. The Mid cap and Small cap indices were down by 0.5% and 0.3% respectively.
- Total turnover during the week on BSE stood at Rs 32,897 crore and at NSE Rs 94,302 crore.

## COMMODITY MARKETS

- NYMEX light sweet Crude Oil for October delivery closed at US \$ 82.7 per barrel on 8 October 2010, up by \$1.1 per barrel over the previous week.
- New York spot price for **Gold** was US \$ 1341.5 per ounce as on 8 October 2010, up by US \$ 34.5 per ounce over the week.

Global Stock Indices	Closing Value as on 8 October 2010	Weekly Change (%)
NYSE: DJIA	11,006.5	1.6
FTSE 100	5,657.6	1.2
Nikkei 225	9,588.9	2.0
Straits Times	3,153.3	0.7
KOSPI	1,897.1	1.1

Source: Yahoo Finance

Indian Equity Indices	Closing Value on 8 October 2010	Week's % Change
BSE SENSEX	20,250.3	-1.0
BSE 500	8,139.8	0.1
S&P CNX NIFTY	6,103.5	-0.7
S&P CNX 500	5,072.7	1.1

Source: NSE, BSE

### Net Institutional Activity

	Equity	Debt
Weekly FII (US \$ Million)	1,989.0	682.2
Year -to-date FII (US\$ million)	21,421.4	10,499.4
Weekly Mutual Funds# (Rs Crore)	-1,741.0	12,655.2

Source: SEBI

\*as on 7 October 2010

Commodity Spot Indices	Closing Value as on 9 October 2010	Week's % Change
MCX AGRI	2,407.1	0.9
MCX METAL	3,621.6	0.0
MCX ENERGY	2,526.4	-0.4
MCX COMDEX	2,815.6	0.0

Source: MCX, NCDEX

## GLOBAL NEWS

### USA

- In the week ending October 2, the advance figure for seasonally adjusted initial claims was 445,000, a decrease of 11,000 from the previous week's figure of 456,000.
- The Treasury Department announced a \$1.5 billion lending initiatives to promote small businesses at the state level.

### Euro Region

- Euro area registered a fall in the volume of retail trade by 0.4% in August 2010 as compared to July.
- In August 2010 compared with July 2010, the industrial producer price index rose by 0.1% in the euro area and remained stable in the EU.

### Asia

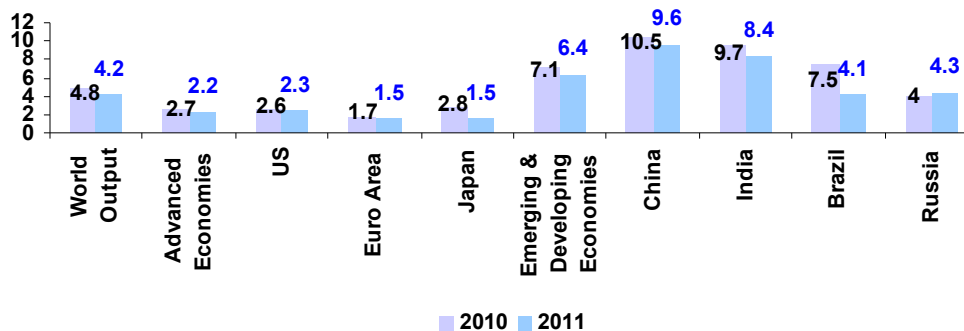
- The dollar skidded to a 15 year low against the

yen, hurt by stop-loss selling and expectations of further easing US monetary policy.

### IMF Estimates

- IMF estimates that world output is expected to grow at 4.8% in 2010 and 4.2% in 2011.
- In Q4 2010 Advanced economies are expected to grow at 2.4%. Further break up show that US is expected to grow at 2.2%, Euro Area at 1.9%, Japan at 0.1%, while emerging economies are expected to grow at 7%, China is expected to grow at 9.9% while India is expected to grow at 10.3%.
- World Trade Volume is expected to grow at 11.4% in 2010 and 7% in 2011.

IMF Forecast-October 2010



### 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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