



Confederation of Indian Industry

Economy Update

Weekly Newsletter

29- August- 4 September 2011

INDICATORS

Inflation Rate for the week ending 20 August 2011

Categories	Weekly	Annual
Primary articles	1.2	12.9
Fuel, power, light & lubricant	-0.2	12.6

- The annual **inflation in primary articles** stood at 12.9% for the week ended 20th August 2011— up from 12.4% in the previous week.
- The annual **inflation in food articles** increased to 10.1% for the week ended 20th August 2011 from 9.8% in the previous week, while annual inflation in **Non-Food articles** decreased to 17.2% from 17.8% in the previous week.
- India's **GDP** for Q1 2011-12 moderated to 7.7% as compared to 8.8% in the same period last year. **Industry** recorded a growth of 5.1% as compared to 9.1% in Q1 2010-11. **Agriculture** registered a growth of 3.9% in Q1 2011-12 as compared to 2.4% in the corresponding period of the previous fiscal year. **Services** sector continued to show a robust growth of 10.0%.
- CII's Business Confidence Index (BCI)** for July September 2011 declined by 8.9 points, standing at 53.6 as compared to BCI for Q1 2011-12 when it was 62.5.
- Foreign Exchange Reserves** as on 26 August 2011 stood at US\$ 319.2 billion, up by US\$ 1.0 billion from the previous week.
- The **call money rates** as on 2 September 2011 traded in the range of 7.00-8.05%.
- At the **Treasury bills auctions** held during the week, the YTM for 91-day T-Bills stood at 8.39%.



Dear Reader,

Data released over the last week has been disappointing – first quarter GDP growth at its lowest in the last six quarters and weekly inflation data showing a spike in food articles. CII's Business Outlook Survey revealed a sharp decline in the

Business Confidence Index even as there was some optimism about a recovery in sales, production and new orders in the current quarter. The two top business concerns are high interest rates and high raw material costs. These concerns could be addressed to some extent if the slowdown in global economic growth results in some moderation in inflation and interest rates.

Chandrajit Banerjee

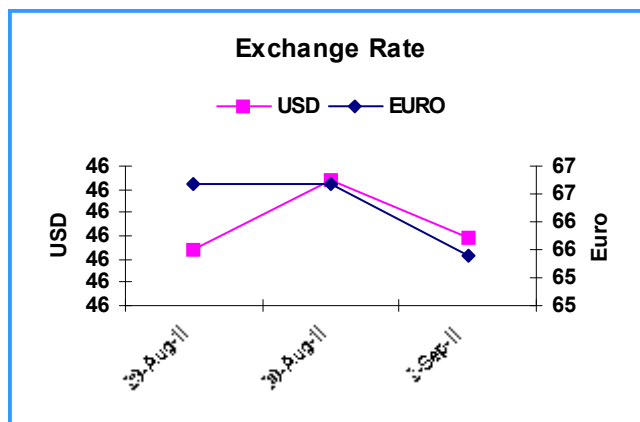
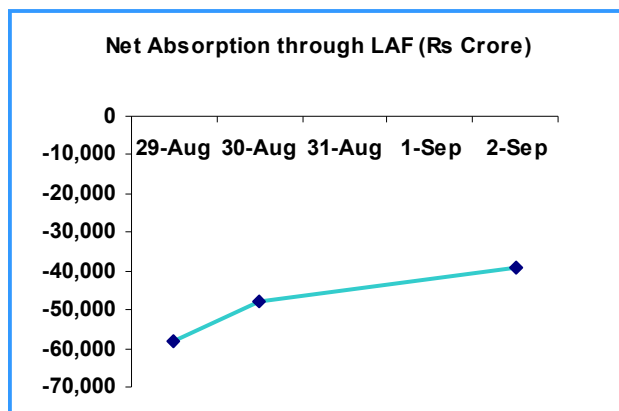
Director General, CII

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POLICY DEVELOPMENT

- Government services are likely to be taxed if the concept note on negative list of services is adopted. This will bring about 60% of the services under tax bracket such as rail travel, renting of vacant land for commercial use, donations to educational institutions, services related to construction and real estate sector.
- Pressure on overhauling the process of approving agriculture schemes which at present require multiple clearances, has rendered many agriculture policies virtually ineffective. This will address issues like staggering of timelines and cost overruns.
- RBI has made financial inclusion mandatory for all new banks to be opened up by all industrial houses and companies. It also requires setting up of a fourth of their branches in unbanked rural areas with a population of upto 9,999



BANKING INDICATORS

Indicators	Outstanding as on 12 August, 2011	% Variation over	
		Fortnight	Year
Total Bank Credit	40,48,457	1.1	20.2
Food Credit	72,448	2.8	54.4
Non Food Credit	39,76,009	1.0	19.7
Aggregate Deposit	54,91,450	0.2	18.4
Broad Money (M3)	68,23,852	0.4	17.3
Credit Deposit Ratio	73.7		

Source: RBI

EQUITY MARKETS

- Global markets remained subdued on account of poor employment data in the US and the Euro Area. Fears of double dip recessions looms with the advanced economies showing sluggish growth.
- Indian markets continued with winning streak to log its highest close in more than two weeks on Friday as investors continued with bargaining hunting, shrugging off slower growth in new manufacturing orders. India's factory sector expanded at its slowest pace in more than two years in August as export orders shrank amid weakening global demand. Indian markets outperformed global markets which were subdued as caution prevailed on fears of second recession.
- Total turnover during the week on BSE stood at Rs 4,467 crore and on NSE at Rs 21,106 crore.

COMMODITY MARKETS

- NYMEX **Crude Oil** for September delivery stood at US\$ 85.4 per barrel on 25th August 2011.
- New York **spot price for Gold** was US\$ 1,877 per ounce as on 2 September 2011, up by US\$ 79.9 per ounce from the previous week.

Global Stock Indices	Closing Value as on 2 September 2011	Weekly Change (%)
NYSE: DJIA	11,493.6	1.9
FTSE 100	5,292.0	3.2
Nikkei 225	8,950.7	1.7
Straits Times	2,843.1	3.5
KOSPI	1,867.8	5.0

Source: Yahoo Finance

Indian Equity Indices	Closing Value on 2 September 2011	Week's % Change
BSE SENSEX	16,821.5	6.1
BSE 500	6,538.1	5.6
S&P CNX NIFTY	5,040.0	6.2
S&P CNX 500	4,070.9	5.7

Source: NSE, BSE

Net Institutional Activity

	Equity	Debt
Weekly FII (US \$ Million)	232.2	492.6
Year -to-date FII (US\$ million)	191.7	4,414.0
Weekly Mutual Funds# (Rs Crore)	315.2	-4,496.6

Source: SEBI

#as on 30th August, 2011

Commodity Spot Indices	Closing Value as on 2 September 2011	Week's % Change
MCX AGRI	3099.93	1.7
MCX METAL	5036.24	2.3
MCX ENERGY	2796.07	1.8
MCX COMDEX	3593.36	2.1

Source: MCX, NCDEX

INDUSTRY NEWS

BSE Indices	Closing Value on 2 September 2011	Week's % Change
AUTO INDEX	8,571.8	6.5
BANKEX	10,949.7	6.9
BSE CAPITAL GOODS	12,029.3	-44.5
BSE CONSUMER DURABLE	6,400.3	98.6
BSE FMCG	3,995.9	64.4
BSE HEALTHCARE	6,029.9	3.6
BSE INFOTECH	4,995.7	5.8
BSE MID CAP	6,324.6	4.8
BSE SMALL CAP	7,133.7	3.2
BSE TECK INDEX	3,187.6	5.4
METAL INDEX	12,429.4	11.5
OIL & GAS INDEX	8,533.9	6.3

Source: BSE

Railways

- ADB to extend US\$500 million to Indian Railways to improve its services along some of the busiest freight and passenger transport routes in Chattisgarh, Maharashtra, Orissa, Andhra Pradesh including Golden Quadrangle.

Power

- Karnataka Renewable Energy Development Limited floated RFP for setting up of 80 MW hybrid solar power projects for 2011-12 and 2012-13. However, it intends to generate 200 Mw solar power during 2011-12 and 2015-16 under its Solar Policy (2011-12 to 2015-16).

Mining

- SAIL would start iron ore production from Chiria mines in Jharkhand by 2014. The plant has a reserve of over 1.8 billion tonnes.

Auto Industry

- Multi-brand car servicing is gaining momentum. One of the key players, Carnation Auto set to open 200 centres across country by end of 2012 while, Carz, is planning to establish 300 centres by 2016.

SMEs

- Banks to offset rise in EMIs by increase in loan tenure for SMEs, village industries and artisans to shelter them from rising interest rates which have dented their profit margins and to avoid surge in bad loans.

CNX Segment Indices	Closing Value on 2 September 2011	Week's % Change
CNX NIFTY Junior	10,113.4	5.4
CNX MIDCAP	7,335.9	4.1
BANK NIFTY	9,581.4	6.8
CNX IT	5,384.2	5.8
CNX Realty	237.0	11.2
CNX Infrastructure	2,785.4	4.4

Source: NSE

GLOBAL NEWS

USA

- In the week ending July 2 2011, the advance figure for seasonally adjusted initial claims was 418,000, a decrease of 14,000 from the previous week's revised average of 432,000.
- Non-farm payroll employment remained unchanged in August and the unemployment rate stood at 9.1%.
- Productivity in the non-farm business sector decreased at a 0.7% annual rate during the second quarter 2011; unit labor costs increased 3.3%. In manufacturing productivity fell 1.5% and unit labor costs rose 4.6%.

Europe

- The euro area seasonally- adjusted unemployment rate was 10.0% in July 2011, unchanged compared with June. It was 10.2% in July 2010. the EU27 unemployment rate was 9.5% in July 2011, unchanged compared with June. It was 9.7% in July 2010.
- Euro area inflation is expected to be 2.5% in August 2011 according to a flash estimate issued by Eurostat, the statistical office of the European Union. It was 2.5% in July

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**.
Reach us at: ecopolicy@cii.in



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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