



Confederation of Indian Industry  
Since 1895

# Economy Update

Weekly Newsletter

10-16 January 2010

## INDICATORS

### Inflation Rate for the week ending 1 January 2011

Categories	Weekly	Annual
Primary articles	0.3	17.6
Fuel, power, light & lubricant	0.01	11.5

- The annual **inflation for all commodities** increased to 8.4% in December 2010 from 7.5% in November as food prices increased from 9.4% in November 2010 to 13.6% in December.
- The annual **inflation in food articles** decreased to 16.9% for the week ended 1 January 2011, from 18.3% for the previous.
- IIP** for the month of **November** 2010 fell all the way to 2.7% as compared to 11.3% growth in the previous month.
- As per the latest data from Ministry of Agriculture, **pulses acreage** this year upto January 14, 2011 has been 8.4 lakh hectare above last year's level, while **total food-grain acreage** went up by 9.5 lakh hectares.
- Foreign Exchange Reserves** as on 7 January, 2011 stood at US \$ 294.0 billion, down by US\$ 3.3 billion over previous week.
- The **call money rates** as on 14 January 2010 traded in the range of 5.5– 6.4%.
- At the **Treasury bills auctions** held during the week, the YTM for 91-day T-Bills stood at 7.1%.



Dear Reader,

Data releases over the last week clouded the outlook for the economy. November industrial growth fell to an 18-month low with consumer goods showing a year-on-year decline. At the same time, inflation which had earlier shown signs of moderation began moving up again. The combination of these two factors will make it difficult for the RBI to take a decision at its forthcoming monetary policy. CII has been pointing out that monetary policy alone will not be effective in containing inflation and may end up retarding growth.

**Chandrajit Banerjee**

Director General, CII

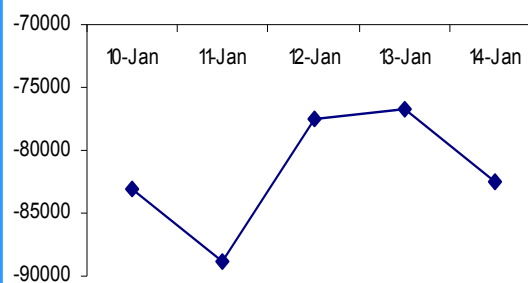
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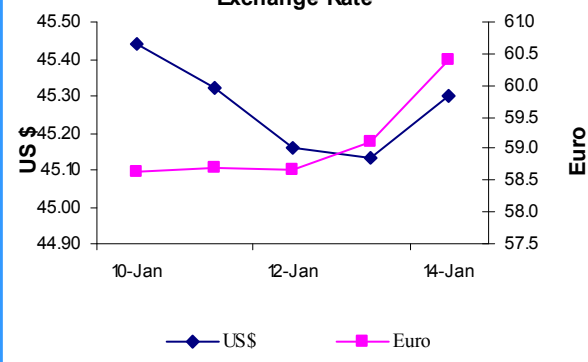
## POLICY UPDATE

- In an attempt to tame inflation, PMO has completely banned exports of edible oil, pulses and non-basmati rice and has asked for long term investment in supply chains including provisions for cold storages to be “dovetailed with organized retail chains for quicker and more efficient distribution of farm products and minimizing wastages”.
- The Finance Ministry has rejected 9.5% payout proposal on provident fund savings for 2010-11.
- Government raised the price of petrol by Rs 2.5 per litre, making it costlier by Rs 10 per litre over the last seven months.

Net Absorption through LAF (Rs Crore)



Exchange Rate



## BANKING INDICATORS

Indicators	Outstanding as on 31 December 2010	% Variation over	
		Fortnight	Year
<b>Total Bank Credit</b>	<b>37,63,213</b>	<b>3.4</b>	<b>16.0</b>
<b>Food Credit</b>	<b>65,948</b>	<b>5.5</b>	<b>42.3</b>
<b>Non Food Credit</b>	<b>36,97,265</b>	<b>3.4</b>	<b>24.3</b>
<b>Aggregate Deposit</b>	<b>47,71,290</b>	<b>3.6</b>	<b>16.5</b>
<b>Broad Money (M3)</b>	<b>60,33,121</b>	<b>-0.5</b>	<b>15.0</b>
<b>Credit Deposit Ratio</b>	<b>75.8</b>		

*Source: RBI*

## EQUITY MARKETS

- US DJIA increased by a 1.0% over the past week as US trade deficit narrowed unexpectedly and retail sales and industrial sales increased. However, poor employment scenario kept the benchmark indices suppressed.
- India's key benchmark indices were all in the red as poor IIP data, high inflation and fears of further monetary tightening adversely affected investor sentiment. Capital Goods, Banking, Oil and Gas and Realty sector performed the worst.
- Total turnover during the week on BSE stood at Rs 17,993 crore and at NSE Rs 71,729 crore.

## COMMODITY MARKETS

- NYMEX **light sweet Crude Oil** for February delivery closed at US \$ 91.5 per barrel on 14 January 2011, up by \$ 3.5 per barrel over the previous week.
- New York **spot price for Gold** was US \$ 1,360.5 per ounce as on 14 January 2011, down by US \$ 8.0 per ounce over the week.

Global Stock Indices	Closing Value as on 14 January 2011	Weekly Change (%)
NYSE: DJIA	11,787.4	1.0
FTSE 100	6,002.1	0.3
Nikkei 225	10,499.0	-0.3
Straits Times	2,108.2	1.1
KOSPI	2,086.2	1.7

Source: Yahoo Finance

Indian Equity Indices	Closing Value on 14 January 2011	Week's % Change
BSE SENSEX	18,860.4	-4.2
BSE 500	7,360.0	-3.9
S&P CNX NIFTY	5,654.6	-4.2
S&P CNX 500	4,566.8	-3.9

Source: NSE, BSE

### Net Institutional Activity

	Equity	Debt
Weekly FII (US \$ Million)	-746.7	1,344.5
Year -to-date FII (US\$ million)	-407.2	1,517.1
Weekly Mutual Funds# (Rs Crore)	842.6	5,057.4

Source: SEBI

#as on 13 January 2010

Commodity Spot Indices	Closing Value as on 15 January 2011	Week's % Change
MCX AGRI	2,825.9	1.6
MCX METAL	4,195.5	1.0
MCX ENERGY	2,912.3	1.2
MCX COMDEX	3,263.8	1.1

Source: MCX, NCDEX

## INDUSTRY NEWS

### Automobile

- Total Automobile production increased by 30% for the period April-December 2010, while domestic sales increased by 28.7% and exports increased by 31.2%. For the month of December 2010, commercial vehicle production increased by 43.4% while domestic sales increased by 27.3%. Passenger car production recorded an increase of 23.6% while domestic sales increased by 29.8%

### Consumer Goods

- Hindustan Unilever may trigger a price rise in daily use items by increasing prices of its popular soap and skin care brands to offset high input cost. The country's largest consumer products company has already increased price of Lux soap and may follow it up with 5-8% hike in prices of other premium soap brands such as Dove and Pears and fairness cream Fair and Lovely in February.

### Retail

- The world's most popular brand of coffee, Starbucks will soon be available in India. The \$ 10.7 billion Starbucks Coffee has teamed up with Tata Coffee to source and roast high quality green coffee beans at the latter's Coorg facility.

BSE Indices	Closing Value on 14 January 2011	Week's % Change
<b>AUTO INDEX</b>	<b>9,259.0</b>	<b>-2.4</b>
<b>BANKEX</b>	<b>11,850.6</b>	<b>-5.3</b>
<b>BSE CAPITAL GOODS</b>	<b>13,818.0</b>	<b>-5.9</b>
<b>BSE CONSUMER DURABLE</b>	<b>5,957.5</b>	<b>-2.5</b>
<b>BSE FMCG</b>	<b>3,586.0</b>	<b>-1.6</b>
<b>BSE HEALTHCARE</b>	<b>6,483.5</b>	<b>-2.8</b>
<b>BSE INFOTECH</b>	<b>6,439.1</b>	<b>-3.6</b>
<b>BSE MID CAP</b>	<b>7,223.8</b>	<b>-3.3</b>
<b>BSE SMALL CAP</b>	<b>8,993.8</b>	<b>-3.9</b>
<b>BSE TECK INDEX</b>	<b>3,814.4</b>	<b>-3.1</b>
<b>METAL INDEX</b>	<b>16,371.6</b>	<b>-3.4</b>
<b>OIL &amp; GAS INDEX</b>	<b>9,978.1</b>	<b>-5.1</b>

Source: BSE

CNX Segment Indices	Closing Value on 14 January 2010	Week's % Change
<b>CNX NIFTY Junior</b>	<b>11,293.9</b>	<b>-3.0</b>
<b>CNX MIDCAP</b>	<b>8211.3</b>	<b>-3.3</b>
<b>BANK NIFTY</b>	<b>10432.9</b>	<b>-5.6</b>
<b>CNX IT</b>	<b>7,068.2</b>	<b>-3.6</b>
<b>CNX Realty</b>	<b>333.7</b>	<b>-5.6</b>
<b>CNX Infrastructure</b>	<b>3,180.9</b>	<b>-4.2</b>

Source: NSE

## GLOBAL NEWS

### USA

- In the week ending January 8 2011, the advanced figures for seasonally adjusted initial claims was 445,000, an increase of 35,000 from the previous week's revised figure of 410,000.
- US Retail Sales climbed up by 0.6% in December 2010, the sixth straight increase, while Industrial output rose 0.8%, the biggest gain since July
- US Trade deficit narrowed to \$ 38.3 billion unexpectedly in November from \$ 38.4 billion in October, as exports climbed to the highest level in more than two years.

### Europe

- Euro area's annual inflation for December 2010 stood at 2.2%, up from 1.9% in November. A year earlier the rate was 0.9%.
- Euro Area's external trade deficit with the rest of the world stood at 0.4 billion for November 2010, as compared with a surplus of 4.8 billion in October and 3.1 billion a year earlier
- In November 2010 compared with October 2010,

seasonally adjusted industrial production rose by 1.2% in the euro area and 1.4% in the EU 27..

### Asia

- The People's Bank of China announced a 50 basis point increase in reserve required ratio for lenders for the fourth time in two years, as the central bank strengthens efforts to mop up liquidity and tame surging inflation. The ratio for the country's biggest banks will be at a record 19.5% after the move.
- China's real estate prices rose for the 19 th month in December, raising concerns that the government will expand curbs to limit the risk of asset bubble. Prices in 70 cities rose 6.4% in December from a year earlier.
- Shanghai, China's financial centre, will this year prepare for a trial property tax, becoming one of the first cities in the nation to introduce the measure aimed at curbing "speculative" investment.

### 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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