



Confederation of Indian Industry

Economy Update

Weekly Newsletter

12–18 September 2011

INDICATORS

Inflation Rate for the week ending 3 September 2011		
Categories	Weekly	Annual
Primary articles	0.3	13.0
Fuel, power, light & lubricant	0.0	13.0

- The annual **inflation** in **primary articles** decreased to 13.0% for the week ended 3 September 2011, from 13.3% in the previous week.
- The annual **inflation** in **food articles** decreased to 9.5% for the week ended 3 September 2011 from 9.6% in the previous week, while annual inflation in **Non-Food articles** declined to 18.5% from 19.9% in the previous week.
- India's exports registered a growth of 44.2% during August 2011, at US \$ 24.3 billion, while, imports surged by 41.8% to US\$ 38.4 billion. Resulting in a trade deficit of US\$ 14.1 billion.
- **Foreign Exchange Reserves** as on 9 September 2011 stood at US\$ 316.5 billion, down by US\$ 4.3 billion from the previous week.
- The **call money rates** as on 16 September 2011 traded in the range of 7.00-8.25%.
- At the **Treasury bills auctions** held during the week, the YTM for 91-day T-Bills stood at 8.39%.



Dear Reader,

Although the increase in the RBI's policy rate at its mid-quarter monetary policy review last week was widely expected, the hawkish tone of the release was not. Data released earlier in the week had indicated serious weakness in the manufacturing sector and the RBI could have mentioned its concern. Industry is disappointed that the RBI is focusing on the inflation rate as its single point concern even as it is apparent that monetary tightening has had little impact on inflation so far. On the other hand, it has increased the cost of credit significantly for industry and also had a dampening effect on consumer demand.

Chandrajit Banerjee

Director General, CII

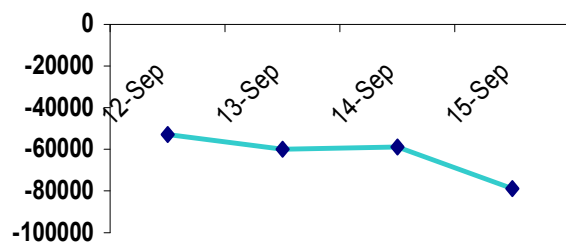
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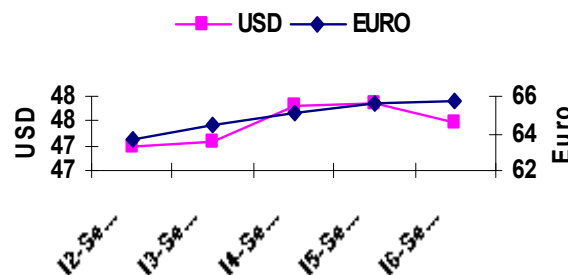
POLICY DEVELOPMENT

- RBI has raised both repo and reverse repo rates by 25 basis points to 8.25% and 7.25% respectively on 16 September 2011. This is the 12th hike in past 18 months, undertaken to contain inflation.
- Insurance Regulatory and Development Authority has recommended that the overall exposure in promoter group companies should be brought down to 5% from 25%. This will curtail the present practice of routing funds through insurance arms in group companies. Besides, insurance companies will not be permitted to invest in unlisted debt instruments and/or by way of private placement in the promoter's group.
- Oil companies have raised both petrol prices (by Rs. 3.14-3.32/litre) and ATF prices by Rs. 1429/kilolitre to recover losses owing to the depreciating rupee against the dollar and firm global crude prices.

Net Absorption through LAF (Rs Crore)



Exchange Rate



BANKING INDICATORS

Indicators	Outstanding as on 26 August, 2011	% Variation over	
		Fortnight	Year
Total Bank Credit	40,44,862	-0.1	20.6
Food Credit	73,581	2.8	41.7
Non Food Credit	39,71,280	1.0	19.3
Aggregate Deposit	55,09,100	0.3	17.9
Broad Money (M3)	68,35,013	0.2	16.7
Credit Deposit Ratio	73.4		

Source: RBI

EQUITY MARKETS

- Globally markets were driven by Euro area developments regarding speculation on a Greek default, uncertainty in Spain and the Italian Government in negotiations with China to buy its debt.
- Towards the end of the week, stock markets rallied on the news of coordinated action to launch 3 month repo operations by ECB, FED, SNB, BOJ and the BOE.
- Indian stocks showcased a volatile week with a weakening rupee causing stock markets to surge midweek. Moody's downgrade of two French banks and RBI's rate hikes caused further market volatility.
- Total turnover during the week on BSE stood at Rs 12,868 crore and on NSE at Rs 53281 crore.

COMMODITY MARKETS

- NYMEX **light sweet Crude Oil** for August delivery stood at US\$ 87.9 per barrel on 16 September 2011, an increase of US\$ 1.3 per barrel from the previous week.
- New York **spot price for Gold** was US\$ 1,812.5 per ounce as on 16 September 2011, down by US\$ 47 per ounce from the previous week.

Global Stock Indices	Closing Value as on 16 Sep 2011	Weekly Change (%)
NYSE: DJIA	11,509.1	1.9
FTSE 100	5,368.4	2.9
Nikkei 225	8864.2	1.4
Straits Times	2789.0	-1.3
KOSPI	1840.1	1.5

Source: Yahoo Finance

Indian Equity Indices	Closing Value on 16 Sep 2011	Week's % Change
BSE SENSEX	16,933.8	0.4
BSE 500	6596.3	0.2
S&P CNX NIFTY	5084.3	0.5
S&P CNX 500		

Source: NSE, BSE

Net Institutional Activity

	Equity	Debt
Weekly FII (US \$ Million)	258.9	57.3
Year -to-date FII (US\$ million)	446.6	4613.9
Weekly Mutual Funds# (Rs Crore)	-196.2	1072.8

Source:SEBI

#as on 16 Sep, 2011

Commodity Spot Indices	Closing Value as on 23 July 2011	Week's % Change
MCX AGRI	2,968.9	-6.5
MCX METAL	4,650.2	-7.6
MCX ENERGY	3,067.1	7.1
MCX COMDEX	3,524.2	-3.0

Source: MCX, NCDEX

INDUSTRY NEWS

BSE Indices	Closing Value on 16 September 2011	Week's % Change
AUTO INDEX	8,832.9	0.9
BANKEX	11,127.5	0.3
BSE CAPITAL GOODS	12,049.7	-3.1
BSE CONSUMER DURABLE	6,612.4	-1.6
BSE FMCG	3,933.7	-0.7
BSE HEALTHCARE	5,986.4	0.1
BSE INFOTECH	5,101.7	3.1
BSE MID CAP	6,390.1	-0.7
BSE SMALL CAP	7,213.0	-1.2
BSE TECK INDEX	3,194.8	1.3
METAL INDEX	12,248.1	-0.5
OIL & GAS INDEX	8,748.6	1.5

Source: BSE

Shipping

- Shipping ministry is considering relaxing the coastal shipping rules for container movement in order to promote transshipment activity at the International Container Transshipment Terminal in Kochi. It is currently drafting a proposal on cabotage norms and the relaxation which can be provided to foreign vessels.

Power

- Andhra Pradesh government has earmarked Rs 14,000-crore investments for strengthening the transmission and distribution infrastructure in the next four years. Of this, Rs 6,000 crore will be invested in transmission and Rs 8,000 crore in distribution.

Machine Tools

- Indian Machine Tool Manufacturers' Association has projected a 2.3 times growth in the demand for the machine tool industry to reach a level of Rs 23,700 crore by end of the 12th five year plan. For the year 2010-11, this figure stood at 10,300 crore, showing a growth of 28.7% over Rs 8,000 crore registered in 2009-10.

Textiles

- Exporters from textile industry in Tirupur are concerned over the duty-free access given to Bangladeshi garments. Bangladesh garments are 20% cheaper than the garments produced in India, posing a threat to domestic players.

CNX Segment Indices	Closing Value on 16 September 2011	Week's % Change
CNX NIFTY Junior	10,167.3	-1.6
CNX MIDCAP	7,346.5	-0.9
BANK NIFTY	9,720.3	0.4
CNX IT	5,494.1	2.9
CNX Realty	242.4	2.3
CNX Infrastructure	2,757.1	-1.9

Source: NSE

GLOBAL NEWS

USA

- Industrial production in the US advanced 0.2% in August after a growth of 0.9% in July. Further, manufacturing rose 0.5% in August.
- Retail sales data came in flat in August indicating depressed consumer spending. Further, July sales were revised downwards to a 0.3% gain.

Europe

- ECB has decided in coordination with BOJ, BOE, SNB and FED to conduct 3-month USD liquidity providing operations with a maturity of approximately 3 months to the end of the year.

Asia

- Annual inflation in August in Bangladesh rose to 11.3% on the back of high demand for non food items. Food inflation stood at 12.7%, down from 13.4% in July and Non Food rose to 8.8% from 6.4% in July.
- In order to boost Japan's revenues, a Government panel called for temporary tax increases to raise close to USD 146 billion over a period of upto 10 years. This is primarily to raise funds for the massive reconstruction requirements post the earthquake in March.

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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