



Confederation of Indian Industry
Since 1895

Economy Update

Weekly Newsletter

13-19 December 2010

INDICATORS

Inflation Rate for the week ending 4 December 2010

Categories	Weekly	Annual
Primary articles	0.22	13.25
Fuel, power, light & lubricant	0.54	10.67

- Annual **WPI inflation rate for primary articles** for the week ending 4 December, 2010 stood at 13.25% as compared to previous week's level of 12.66%.
- The annual **inflation** in food articles increased to 9.46% for the week ended 4 December 2010, from 8.69% for the previous week.
- Annual **WPI inflation rate for all commodities** for the month of November 2010, stood at 7.48% falling from 8.6% in October.
- **FDI inflows** into India have touched US\$ 14.9 billion in April-October 2010.
- **Foreign Exchange Reserves** as on 10 December 2010 stood at US \$ 295.42 billion, down by US\$ 0.97 billion over previous week.
- The **call money rates** as on 16 December 2010 traded in the range of 5.9 – 6.9%.
- At the **Treasury bills auctions** held during the week, the YTM for 91-day T-Bills stood at 7.2%.



Dear Reader,

In its mid-quarter monetary policy review, the RBI made a welcome move to address the tightening liquidity situation. The RBI announced measures to ease liquidity through a reduction in the SLR for banks and the conduct of open market operations. As pointed out by the RBI, a persistent liquidity deficit would make it difficult for banks to sustain credit delivery. In any case, the liquidity problem for banks has been accentuated this year with credit growth far outpacing deposit growth.

Chandrajit Banerjee

Director General, CII

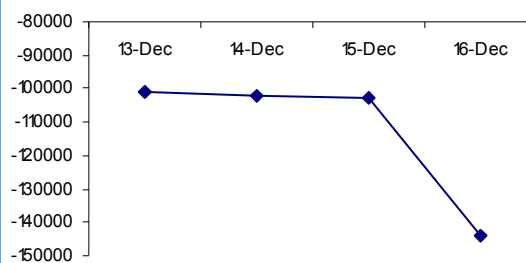
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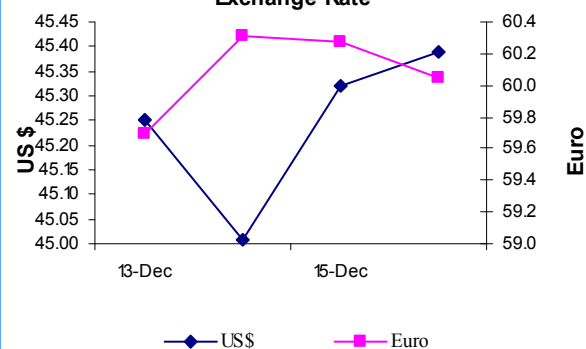
POLICY UPDATE

- In the mid Quarter Monetary Policy Review, the RBI has taken the following measures to ease liquidity:
 - Reduce the statutory liquidity ratio (SLR) of scheduled commercial banks (SCBs) from 25% of their NDTL to 24% with effect from December 18, 2010.
 - Conduct open market operation (OMO) auctions for purchase of government securities for an aggregate amount of Rs 48,000 crore in the next one month.

Net Absorption through LAF (Rs Crore)



Exchange Rate



BANKING INDICATORS

Indicators	Outstanding as on 3 December 2010	% Variation over	
		Fortnight	Year
Total Bank Credit	35,94,559	1.0	23.0
Food Credit	61,488	6.0	38.0
Non Food Credit	35,33,072	3.8	22.9
Aggregate Deposit	48,37,906	-0.2	15.0
Broad Money (M3)	60,75,813	0.8	16.2
Credit Deposit Ratio	73.4		

Source: RBI

EQUITY MARKETS

- US stock DJIA, closed lower on Friday after closing at the highest levels since September 2008 on Thursday, due to positive employment news and Fedex's optimistic outlook for the year.
- European stocks fluctuated during the week but fresh concerns regarding EU debt concerns following Moody's 5 notch downgrade of Ireland did not have a significant impact on equities. EU leaders' readiness to ensure stability of the euro area and to ensure adequate EFSF funding kept the European indices in the green territory.
- Asian equity markets are trading on a slightly firmer footing due to better than expected economic data of the US.
- Indian key benchmark indices closed positive on Friday. All major sectoral indices showed a positive growth over the last week, except for the Banking, Auto and FMCG sectors. The major gainers in the past week were the IT index, BSE Teck Index and BSE Metal Index.
- Total turnover during the week on BSE stood at Rs 20,193 crore and at NSE Rs 75,945 crore.

COMMODITY MARKETS

- NYMEX **light sweet Crude Oil** for January delivery closed at US \$ 88.02 per barrel on 17 December 2010, up by \$ 0.22 per barrel over the previous week.
- New York **spot price for Gold** was US \$ 1368.5 per ounce as on 17 December 2010, down by US \$ 6.8 per ounce over the week.

Global Stock Indices	Closing Value as on 17 December 2010	Weekly Change (%)
NYSE: DJIA	11,491.9	0.7
FTSE 100	5,871.8	1.0
Nikkei 225	10,303.8	0.9
Straits Times	2,026.3	2.0
KOSPI	1,986.1	1.5

Source: Yahoo Finance

Indian Equity Indices	Closing Value on 16 December 2010	Week's % Change
BSE SENSEX	19,864.9	1.8
BSE 500	7,732.5	1.7
S&P CNX NIFTY	5,948.8	1.6
S&P CNX 500	4,795.0	1.7

Source: NSE, BSE

Net Institutional Activity

	Equity	Debt
Weekly FII (US \$ Million)	-247.4	267.0
Year -to-date FII (US\$ million)	28,613.8	10,010.6
Weekly Mutual Funds# (Rs Crore)	533.3	8,258.6

Source:SEBI

#as on 915December 2010

Commodity Spot Indices	Closing Value as on 18 December 2010	Week's % Change
MCX AGRI	2,680.3	1.3
MCX METAL	4,093.5	0.5
MCX ENERGY	2,808.9	-1.2
MCX COMDEX	3,156.8	0.0

Source: MCX, NCDEX

INDUSTRY NEWS

Automobile

- The Munjals of the Hero group and Japan's Honda Motors broke up their 26 year old joint venture Hero Honda Motors on December 16, 2010.

Banking

- Union Bank raises retail term deposit rates between 75 and 100 basis points.

Infrastructure/Industrial Goods

- NMDC Ltd, a PSU under the Ministry of Steel has decided to set up a 3 million tonnes per annum integrated green field steel plant at Chattisgarh (Nagarnar).
- Lanco Infratech targets 300 MW solar power in 2 years.

Consumer Products/FMCG

- Tata Chemicals arm to buy UK's British salt for 93 Million pounds
- Milk prices increases by Rs 1/ litre in Delhi-NCR
- Emami, a maker of healthcare products plans to spend \$ 331 million in global acquisitions.

Energy

- Tata Power to add 1,900 MW in 2011 from multiple sources.

BSE Indices	Closing Value on 16 December 2010	Week's % Change
AUTO INDEX	9,890.7	-0.3
BANDEX	12,958.9	-0.3
BSE CAPITAL GOODS	15,333.0	1.9
BSE CONSUMER DURABLE	6,091.0	2.4
BSE FMCG	3,543.7	-0.5
BSE HEALTHCARE	6,558.8	0.9
BSE INFOTECH	6,577.1	5.0
BSE MID CAP	7,568.0	2.2
BSE SMALL CAP	9,184.0	2.6
BSE TECK INDEX	3,898.8	4.4
METAL INDEX	16,620.1	3.9
OIL & GAS INDEX	10,675.2	2.4

Source: BSE

CNX Segment Indices	Closing Value on 16 December 2010	Week's % Change
CNX NIFTY Junior	11,991.4	1.9
CNX MIDCAP 200	8,665.1	1.8
BANK NIFTY	11,424.2	-0.2
CNX IT	7,211.8	5.0
CNX Realty	367.6	0.7
CNX Infrastructure	3,395.0	1.9

Source: NSE

GLOBAL NEWS

USA

- In the week ending December 11, the advanced figures for seasonally adjusted initial claims was 420,000, a decrease of 3,000 from the previous week's revised figure of 423,000.
- US Congress extends temporarily 'The Bush tax cut' package and unemployment benefit package for another two years.
- US current account deficit increased to \$127.2 billion in the third quarter of 2010, from \$123.2 billion in the second quarter of 2010.
- US closes six more banks, bringing the number of closures so far this year to 157.

Europe

- Ireland's credit rating was cut five levels by Moody's Investors Services as the government struggles to contain losses in the country's banking system.
- Euro Area reported an external trade surplus of 5.2 billion EUR in October 2010.
- Euro Area's annual inflation was 1.9% in November 2010, unchanged compared with October, while EU annual inflation was 2.3%.

- In October 2010 compared with September 2010, industrial production rose by 0.7% in the Euro Area and by 0.3% in the EU 27.

Asia

- South Korea aims to apply levy on banks' foreign exchange borrowings and also tighten rules on derivatives in order to guard against sudden capital outflows as military tension with the North increases. The government is considering a 20 basis point levy on overseas debt maturing in less than one year.
- Foreign Direct Investment into China rose for the sixteenth consecutive month, hitting US\$ 9.7 billion in November.
- China's banks are paying double the interest rate for government funds than a year ago as higher reserve requirements led to a shortage of cash in the financial system and faster inflation damped deposit growth. For example, the finance ministry received a rate of 5.4% for 30 billion yuan of six month auction on 14 December, as compared to rates of 2.4% in December 2009.

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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