



Confederation of Indian Industry

Economy Update

Weekly Newsletter

1-7 August 2011

INDICATORS

Inflation Rate for the week ending 23rd July 2011

Categories	Weekly	Annual
Primary articles	-0.6	11.0
Fuel, power, light & lubricant	0.0	12.1

- The annual **inflation in primary articles** stood at 11.0% for the week ended 23rd July 2011—up from 10.5% in the previous week.
- The annual **inflation in food articles** increased to 8.0% for the week ended 23rd July 2011 from 7.3% in the previous week, while annual inflation in **Non-Food articles** remained flat at 15.6%.
- Prime Minister’s Economic Advisory Council (PMEAC) has lowered India’s **GDP forecast** for 2011-12 to 8.2% from 9.0% projected earlier.
- **Foreign Exchange Reserves** as on 29 July 2011 stood at US\$ 319.1 billion, up by US\$ 2.3 billion from the previous week.
- The **call money rates** as on 5th August 2011, traded in the range of 7.0– 7.8%.
- At the **Treasury bills auctions** held during the week, the YTM for 91–day T-Bills stood at 8.4%.
- **All India rainfall** during the week 28th July to 3rd August was 22% lower than the long period average (LPA). Cumulative rainfall during this year’s monsoon has so far up to 3rd August been 6% below LPA.



Dear Reader,

Financial markets across the world fell sharply last week on concerns about the US recovery and the fiscal and financial conditions in Europe. Friday’s downgrade of US sovereign rating by S&P is expected to have a further impact this week. While Indian markets will also be impacted in the

near term by these developments, there could be a silver lining in the medium term. The turmoil will certainly have an impact on global commodity and fuel prices which, if sustained, can have a moderating effect on domestic inflation. This will enable the RBI to pause its interest rate hikes and the economy to regain its earlier growth momentum.

Chandrajit Banerjee

Director General, CII

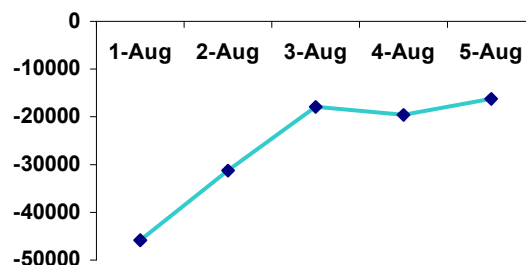
IN THIS ISSUE

- Markets
- Policy Development
- Industry News
- Global News

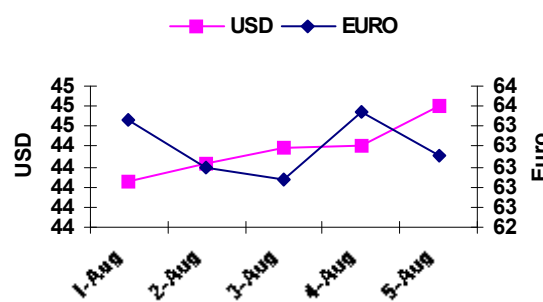
POLICY DEVELOPMENT

- The Finance Ministry has decided to halve the lock-in period for foreign portfolio investments in infrastructure bonds to 1.5 years. The move is aimed to encourage greater interest amongst foreign investors in investing in such bonds and funding infrastructure projects.
- The Government has decided to set up an inter-ministerial committee to suggest ways of checking misleading advertisements and also review various existing laws to make them more effective.

Net Absorption through LAF (Rs Crore)



Exchange Rate



BANKING INDICATORS

Indicators	Outstanding as on 15 July ,2011	% Variation over	
		Fortnight	Year
Total Bank Credit	40,14,556	-1.8	19.3
Food Credit	76,440	-4.0	40.4
Non Food Credit	39,38,116	-1.7	17.6
Aggregate Deposit	54,17,244	-1.3	17.9
Broad Money (M3)	67,49,781	-0.9	16.7
Credit Deposit Ratio	74.1		

Source: RBI

EQUITY MARKETS

- Global stocks tumbled downwards as bleak US economic data release kept confidence low. High unemployment rate in the US and the Euro Area, debt woes in the Euro Area and the US added to the downward movement of major indices.
- Indian key benchmark index BSE SENSEX slid to the red, as investors were unnerved by the pick up in food inflation and below normal monsoon rains.
- Total turnover during the week on BSE stood at Rs 13,390 crore and on NSE at Rs 53,554 crore.

COMMODITY MARKETS

- NYMEX **Crude Oil** for September delivery fell to US\$ 86.9 per barrel on 5th August 2011.
- New York **spot price for Gold** was US\$ 1,649.1 per ounce as on 5th August 2011, up by US\$ 20.8 per ounce from the previous week.

Global Stock Indices	Closing Value as on 5th August 2011	Weekly Change (%)
NYSE: DJIA	11,444.6	-5.8
FTSE 100	5,247.0	-9.8
Nikkei 225	9,299.9	-5.4
Straits Times	2,994.8	-6.1
KOSPI	1,943.8	-8.9

Source: Yahoo Finance

Indian Equity Indices	Closing Value on 5th August 2011	Week's % Change
BSE SENSEX	17,305.9	-4.9
BSE 500	6,788.7	-4.5
S&P CNX NIFTY	5,613.6	2.4
S&P CNX 500	4,538.8	2.6

Source: NSE, BSE

Net Institutional Activity

	Equity	Debt
Weekly FII (US \$ Million)	-336.7	-459.4
Year -to-date FII (US\$ million)	2,102.0	3,264.0
Weekly Mutual Funds# (Rs Crore)	-90.7	-1,101.4

Source:SEBI

#as on 4th August, 2011

Commodity Spot Indices	Closing Value as on 6th August 2011	Week's % Change
MCX AGRI	2,969.8	-0.8
MCX METAL	4,662.3	-0.2
MCX ENERGY	2,741.1	-7.1
MCX COMDEX	3,404.2	-2.5

Source: MCX, NCDEX

INDUSTRY NEWS

BSE Indices	Closing Value on 5th August 2011	Week's % Change
AUTO INDEX	8,312.7	-5.1
BANKEX	11,833.2	-4.9
BSE CAPITAL GOODS	12,277.8	-5.5
BSE CONSUMER DURABLE	6,393.7	-5.4
BSE FMCG	3,913.5	-4.4
BSE HEALTHCARE	6,219.3	-3.1
BSE INFOTECH	5,459.0	-6.4
BSE MID CAP	6,588.9	-4.7
BSE SMALL CAP	7,815.1	-5.9
BSE TECK INDEX	3,427.5	-5.9
METAL INDEX	13,062.0	-6.8
OIL & GAS INDEX	8,636.5	-1.9

Source: BSE

Consumer Products

- Paint companies may go for a price rise as raw material prices are shooting up. Input costs has gone up by 13% in Q1 2011-12 and this may force companies to increase product prices by 3% in coming months. Price of Titanium dioxide(TiO₂), one of the key raw materials of paint, will go up further as closure of a few TiO₂ in the West has created a wide gap between demand and supply.

Energy

- Oil and Natural Gas Corp. Ltd (ONGC), India's biggest energy explorer, plans to invest in nuclear plants in the country and has started mining for uranium to counter declining crude production..

Auto

- Top three car makers-Maruti Suzuki, Hyundai Motor and Tata Motors- witnessed their combined sales decline by 25% in July to 1.09 lakh units. Maruti is the worst hit, recording 26% decline.

CNX Segment Indices	Closing Value on 5th August 2011	Week's % Change
CNX NIFTY Junior	10,542.1	-3.4
CNX MIDCAP	7,691.2	-4.1
BANK NIFTY	10,354.5	-4.9
CNX IT	5,911.6	-6.7
CNX Realty	251.2	-8.0
CNX Infrastructure	2,884.9	-4.8

Source: NSE

GLOBAL NEWS

USA

- In the week ending July 30 2011, the advance figure for seasonally adjusted initial claims was 400,000, a decrease of 1,000 from the previous week's revised average of 401,000.
- Standard & Poor's downgraded the US's AAA credit rating by one level to AA+, as lawmakers failed to cut spending or raise revenue enough to reduce record budget deficits.
- US Unemployment rate for July stood at 9.1%.

Since April, the unemployment rate has shown little definitive movement.

- US's Personal income increased to US\$ 18.7 billion, a 0.1% increase and disposable income increased by 0.1% to US\$ 16.3 billion, in June

Europe

- The Euro Area seasonally adjusted unemployment rate was 9.9% in June 2011, unchanged compared with May. It was 10.2% in June 2010.
- In June 2011 compared with May 2011, the volume of retail trade grew by 0.9% in the Euro Area and by 0.7% in the EU 27.

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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