



Confederation of Indian Industry

Economy Update

Weekly Newsletter

19–25 September 2011

INDICATORS

Inflation Rate for the week ending 10 September 2011

Categories	Weekly	Annual
Primary articles	-0.05	12.17
Fuel, power, light & lubricant	0.84	13.96

- The annual **inflation** in **primary articles** decreased to 12.2% for the week ended 10 September 2011, from 13.0% in the previous week.
- The annual **inflation** in **food articles** decreased to 8.8% for the week ended 10 September 2011 from 9.5% in the previous week, while annual inflation in **Non-Food articles** declined to 17.4% from 18.5% in the previous week.
- **Crude Oil Production** increased to 16.1 MMT during April-August 2011, 1.4% more than the targeted estimate of 15.9 MMT. It is 6.1% higher than 15.2 MMT produced during the same period last year.
- Total acreage under pulses stood at 109.4 lakh hectares as on 23 September, down from 120.3 last year. Further, total acreage under coarse cereals stood at 200.2 lakh hectare up from 210.9 last year.
- During the week 15-21 September, the country received 46.1 mm rainfall. The All India Rainfall was 29% above the LPA for this period.
- The All-India CPI for Agricultural and Rural Labourers (Base 1986-87) both stood at 610 points in August 2011.



Dear Reader,

Fears of a worsening European Debt crisis as Greece moves closer to defaulting has made the international economic situation all the more uncertain. The sovereign debt crisis threatens to throw the euro zone into recession at a time when investor confidence in the world's largest economy, the United States, is plunging. Further, China is also headed for a slowdown as a result of the tight monetary policy. These global developments coupled with domestic challenges are likely to further moderate India's growth prospects.

Chandrajit Banerjee

Director General, CII

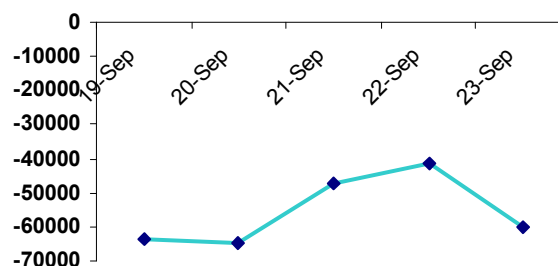
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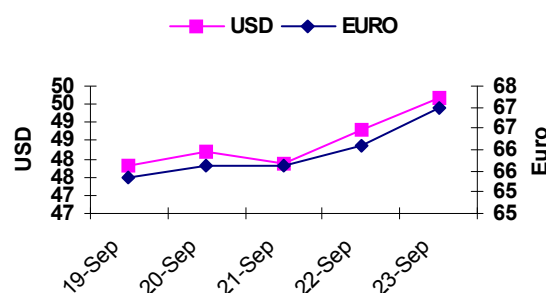
POLICY DEVELOPMENT

- The Government is likely to introduce a three-pronged strategy by November to address the burgeoning petroleum subsidy bill through utilization of savings, reduction in expenditure on big schemes for rural development, health and human resource and rollover of a portion of the burden to the next financial year.
- The Finance Ministry has made it mandatory to file central excise and service tax returns electronically from October 1. This will also be applicable to past periods' returns that have not been filed yet or are to be revised, a step toward the introduction of GST in 2012-13.
- The DEPB scheme would be abolished from 1st October 2011 onwards and all export products under this scheme will be moved to the duty drawback scheme.

Net Absorption through LAF (Rs Crore)



Exchange Rate



BANKING INDICATORS

Indicators	Outstanding as on 9 September, 2011	% Variation over	
		Fortnight	Year
Total Bank Credit	40,74,295	0.7	20.4
Food Credit	73,416	-0.2	44.0
Non Food Credit	40,00,879	0.7	20.0
Aggregate Deposit	55,22,035	0.2	17.5
Broad Money (M3)	68,57,938	0.3	16.4
Credit Deposit Ratio	73.78		

Source: RBI

EQUITY MARKETS

- Global markets saw large sell offs as worries about the European debt troubles and the global economy in general intensified.
- US stocks dropped as investors remained wary of the Fed's latest action being effective in pulling the economy out of trouble and its pessimistic outlook for the economy going forward.
- Following a slump all week as default concerns loom large, European stocks rebounded slightly towards the end of the week as the G20 pledged to remain committed to dealing with the crisis.
- Indian markets witnessed a downward spiral on weak global cues along with a sharp fall in rupee value.
- Total turnover during the week on BSE stood at Rs. 12978 crore and on NSE at Rs. 53521 crore.

COMMODITY MARKETS

- NYMEX **light sweet Crude Oil** for August delivery stood at US\$ 79.8 per barrel on 23 September 2011, an decrease of US\$ 8.1 per barrel from the previous week.
- New York **spot price for Gold** was US\$ 1,722 per ounce as on 22 September 2011, down by US\$ 72 per ounce from the previous week.

Global Stock Indices	Closing Value as on 23 Sep 2011	Weekly Change (%)
NYSE: DJIA	10,771.5	-6.4
FTSE 100	5,066.9	-5.6
Nikkei 225	8,560.3	-3.4
Straits Times	2,698.8	-3.2
KOSPI	1,697.4	-7.8

Source: Yahoo Finance

Indian Equity Indices	Closing Value on 23 Sep 2011	Week's % Change
BSE SENSEX	16,162.1	-4.6
BSE 500	6,356.4	-3.6
S&P CNX NIFTY	4,867.8	-4.3
S&P CNX 500	3,952.1	-3.7

Source: NSE, BSE

Net Institutional Activity

	Equity	Debt
Weekly FII (US \$ Million)	-22.4	-674.9
Year -to-date FII (US\$ million)	424.2	3,939.0
Weekly Mutual Funds# (Rs Crore)	178.1	4,779.7

Source:SEBI

#as on 23 Sep, 2011

Commodity Spot Indices	Closing Value as on 23 Sep 2011	Week's % Change
MCX AGRI	3,259.8	-0.1
MCX METAL	4,680.36	-6.4
MCX ENERGY	2,770.9	-6.4
MCX COMDEX	3,478.0	-5.4

Source: MCX, NCDEX

INDUSTRY NEWS

BSE Indices	Closing Value on 23 September 2011	Week's % Change
AUTO INDEX	8,419.5	-4.7
BANKEX	10,760.7	-3.3
BSE CAPITAL GOODS	11,164.3	-7.3
BSE CONSUMER DURABLE	6,648.4	0.5
BSE FMCG	3,831.3	-2.6
BSE HEALTHCARE	5,871.8	-1.9
BSE INFOTECH	4,985.5	-2.3
BSE MID CAP	6,222.8	-2.6
BSE SMALL CAP	7,041.1	-2.4
BSE TECK INDEX	3,122.6	-2.3
METAL INDEX	11,513.8	-6.0
OIL & GAS INDEX	8,263.3	-5.5

Source: BSE

Tea

- Poor connectivity and erratic power supply is raising the cost of producing tea in Assam resulting in loss of competitiveness in the industry. Another major concern is the growing absenteeism among tea garden laborers due to MNERGA.

Tobacco

- Himachal Pradesh is set to see a boost in its tobacco industry following the clearance by the state government for the setting up and expansion of various bidi units across the state.

Ports

- The Centre has proposed to augment the capacity of the Paradip port from the present 76 million tonne per annum (mtpa) to 133 mtpa by 2015 at a cost of Rs. 3,141.01 crore. This would entail the installation of the second and third single-point mooring (SPM) by December 2012 and construction of Southern Oil Jetty by December 2013.

Retail

- Retail Groups in the country have been acquiring space in a big way following the downturn. Various chains are expected to open close to 200 retail outlets across the country between 2011 and 2014.

CNX Segment Indices	Closing Value on 23 September 2011	Week's % Change
CNX NIFTY Junior	9,895.9	-2.7
CNX MIDCAP	7,185.3	-2.2
BANK NIFTY	9,375.7	-3.5
CNX IT	5,367.7	-2.3
CNX Realty	231.2	-4.6
CNX Infrastructure	2,620.1	-5.0

Source: NSE

GLOBAL NEWS

USA

- In the week ending 17 September, the advance figure for seasonally adjusted initial claims fell by 9000 from the previous week's figure of 432,000.
- President Obama has unveiled a new plan to collect US \$ 1.5 trillion as part of a larger deficit reduction plan, by increasing taxes on individuals earning more than US \$ 1 million a year.

Europe

- A rescue plan to address the Eurozone crisis seems to be emerging. It is expected to include debt write downs and increase of the size of the European Union bailout fund amongst other measures.

Asia

- Asia-focused hedge funds have attracted a net inflow of about \$500 million in August 2011, the highest in 32 months. With this the total inflows have risen to \$7 billion for 2011, reinstating strong investors' confidence in the region's growth.
- China's manufacturing may continue to shrink for a third month in a row on the back of shrinking export orders and output.
- Responding to fall in their currencies, Korea and the Indonesia Central Banks are the latest to intervene in their money markets to stabilize their respective currencies.

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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