



Confederation of Indian Industry  
Since 1895

# Economy Update

Weekly Newsletter

20-26 December 2010

## INDICATORS

Inflation Rate for the week ending 11 December 2010		
Categories	Weekly	Annual
Primary articles	1.79	15.35
Fuel, power, light & lubricant	0.07	10.74

- Annual **WPI inflation rate for primary articles** for the week ending 11 December, 2010 stood at 15.35% as compared to previous week's level of 13.25%.
- The annual **inflation** in food articles increased to 12.13% for the week ended 11 December 2010, from 9.46% for the previous week due to rising prices of vegetables, especially onions and potatoes.
- **Foreign Exchange Reserves** as on 17 December 2010 stood at US \$ 294.6 billion, down by US\$ 0.81 billion over previous week.
- The **call money rates** as on 23 December 2010 traded in the range of 4.0– 7.0%.
- At the **Treasury bills auctions** held during the week, the YTM for 91-day T-Bills stood at 7.2%.



Dear Reader,

The sudden spike in onion prices over the last couple of weeks has brought out some of the deficiencies in India's agricultural sector which need to be addressed. Any unusual climate conditions such as excessive rain in this case can cause sudden changes in the availability of agricultural products. Hoarding and speculation add to the fluctuation in prices and policy instruments such as a ban on exports need to be brought in to control prices. A new set of policies are needed to make agricultural markets more effective.

**Chandrajit Banerjee**

Director General, CII

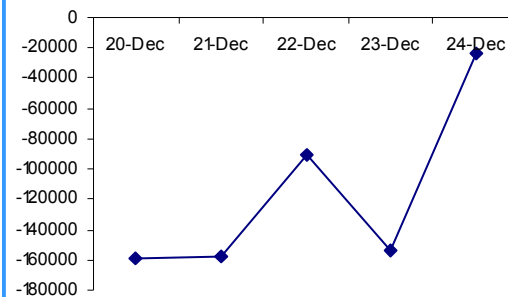
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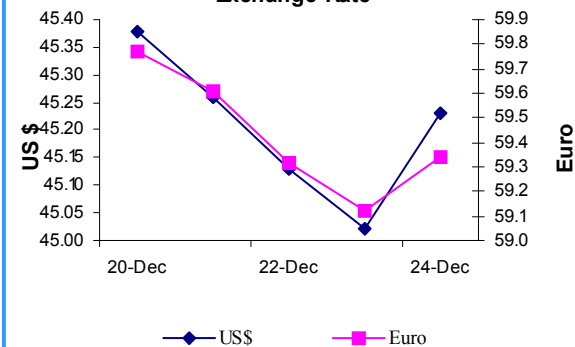
## POLICY UPDATE

- The Government has decided to suspend onion exports till January 15, 2011 to improve domestic supplies as onion prices showed a y-o-y growth of 33.5%
- The finance ministry has exempted service tax on retail sale of packaged computer software to address the problem of double taxation on it.
- The Union Government plans to make it mandatory for employers across the country to pay a minimum of Rs 100 a day to unskilled workers, including those engaged in agriculture.
- Government is willing to bear a third of the losses incurred by fuel retailers due to selling auto and cooking fuel below cost.
- The railways has raised freight charges on some key commodities such as sugar and some petroleum products to meet rising fuel cost and higher wages

Net Absorption through LAF (Rs Crore)



Exchange Rate



## BANKING INDICATORS

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

Source: RBI

## EQUITY MARKETS

- US major indexes reached their highest levels in two years as government data showed that the economy grew at a faster pace than previously estimated.
- Indian markets ended a lack luster session amid low volumes as investors stayed on the sidelines ahead of the holiday season. Except auto and oil and gas, all sectoral indices closed positive with consumer durable, metal, FMCG and pharma stocks were major gainers.
- Total turnover during the week on BSE stood at Rs 18,382 crore and at NSE Rs 37,488 crore.

## COMMODITY MARKETS

- NYMEX **light sweet Crude Oil** for January delivery closed at US \$ 91.05 per barrel on 23 December 2010, up by \$ 3.5 per barrel over the previous week.
- New York **spot price for Gold** was US \$ 1384.4 per ounce as on 24 December 2010, up by US \$ 15.9 per ounce over the week.

Global Stock Indices	Closing Value as on 24 December 2010	Weekly Change (%)
NYSE: DJIA	11,573.5	0.7
FTSE 100	6,008.9	2.3
Nikkei 225	10,279.2	-0.2
Straits Times	2,029.6	2.2
KOSPI	1,986.1	1.5

Source: Yahoo Finance

Indian Equity Indices	Closing Value on 24 December 2010	Week's % Change
BSE SENSEX	20,073.7	1.1
BSE 500	7,798.8	0.9
S&P CNX NIFTY	6,011.6	1.1
S&P CNX 500	4,839.9	0.9

Source: NSE, BSE

### Net Institutional Activity

	Equity	Debt
Weekly FII (US \$ Million)	-10.0	4.0
Year -to-date FII (US\$ million)	28,603.8	10,014.7
Weekly Mutual Funds# (Rs Crore)	484.5	6,645.5

Source:SEBI

#as on 21 December 2010

Commodity Spot Indices	Closing Value as on 24 December 2010	Week's % Change
MCX AGRI	2,689.6	0.3
MCX METAL	4,119.7	0.6
MCX ENERGY	2,857.9	1.7
MCX COMDEX	3,187.4	1.0

Source: MCX, NCDEX

## INDUSTRY NEWS

### Aviation

- The revenue of national carrier Air India rose 22.6% to Rs. 7,250 crore in the last eight months on the back of growing passenger traffic.

### Pharma

- India's drug price regulator (The National Pharmaceuticals Pricing Authority) has asked for pricing details of drugs imported by some foreign drug makers to find if they take advantage of India's regulatory regime to price their products many times their cost of production.

### Hospitality

- The Tata Group is planning to increase the number of its budget hotels to over 70 from 25 at present in the next few years, to take advantage of the potential in the hospitality sector.

### Infrastructure

- Welspun Infra buys 35% in Leighton Contractors for Rs 470 crore.

### Renewable Energy

- Sensing immense potential in renewable energy in India, Spain's Gamesa group, one of the top three wind turbine/ blades manufacturers in the world, has proposed to set up three different plants-wind blades, Nacelles and wind turbine towers.

BSE Indices	Closing Value on 24 December 2010	Week's % Change
AUTO INDEX	10,017.3	1.3
BANKEX	13,015.7	0.4
BSE CAPITAL GOODS	15,195.6	-0.9
BSE CONSUMER DURABLE	6,105.7	0.2
BSE FMCG	3,585.1	1.2
BSE HEALTHCARE	6,580.2	0.3
BSE INFOTECH	6,694.4	1.8
BSE MID CAP	7,627.2	0.8
BSE SMALL CAP	9,354.4	1.9
BSE TECK INDEX	3,962.4	1.6
METAL INDEX	17,274.1	3.9
OIL & GAS INDEX	10,629.5	-0.4

Source: BSE

CNX Segment Indices	Closing Value on 24 December 2010	Week's % Change
CNX NIFTY Junior	11,984.9	-0.1
CNX MIDCAP	8,698.8	0.4
BANK NIFTY	11,477.1	0.5
CNX IT	7,353.7	2.0
CNX Realty	367.1	-0.1
CNX Infrastructure	3,395.2	0.0

Source: NSE

## GLOBAL NEWS

### USA

- In the week ending December 18, 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 third estimate for real GDP showed, that the economy grew at 2.6% in the third quarter of 2010 as compared to 1.7% growth in the second quarter.
- The Thomson Reuters/University of Michigan's final reading on the overall index on consumer sentiment stood at 74.5, highest level since June 2010. In November the index stood at 71.6.

### Europe

- EU 27's real agricultural income per worker has increased by 12.3% in 2010, following a decrease of 10.7% in 2009.
- Fitch Rating downgrades Portugal one notch to A plus due to burgeoning debt levels and a tough

financing environment.

### Asia

- China raises benchmark one year lending rate by 25 basis points to 5.8% and the one year deposit rate to 2.8% to counter the fastest inflation in more than two years.
- China's three main commodity exchanges-in Shanghai, Dalian and Zhengzhou-have raised trading margins to force traders to back their position with more cash. They also widened trading bands, allowing prices to fluctuate more without hitting the headline grabbing up or down limits.
- Japan's government approved a record 92.4 trillion yen (\$1.1 trillion) draft budget for the year from next April, keeping its self imposed cap on debt but it faces a tough road ahead to fix its public finances.

### 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**.  
Reach us at: [ecopolicy@cii.in](mailto:ecopolicy@cii.in)



Confederation of Indian Industry  
Since 1895

249-F, Sector 18, Udyog Vihar, Phase IV, Gurgaon - 122 015, Haryana, INDIA  
Tel: +91-124-401 4060-67 • Fax: +91-124-401 4080 • Email: [ecopolicy@cii.in](mailto:ecopolicy@cii.in) • Website: [www.cii.in](http://www.cii.in)